Featuring commentary articles on:

- Middle East funds not yet interested in green issues
- ADIA arbitration Citigroup lost
- UK Brexit still seen by QIA Qatar as a real estate opportunity
- Saudi Public Investment Fund (PIF) future to be decided soon?
- Turkey’s SWF strategy showing progress, infrastructure main target
- Oman considering sovereign wealth funds merger
- The future of Libya’s SWF LIA still under pressure

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ADIA ARBITRATION CITIGROUP LOST
UK BREXIT STILL SEEN BY QIA QATAR AS A REAL ESTATE OPPORTUNITY
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A new report by the Asset Owners Disclosure Project (AODP) states that worldwide more than half of 500 largest asset owners invest in green projects and assets. The latter shows that climate change issues should be factored into their own assessments, as it poses a risk to their portfolios. Middle Eastern and North American funds are however the main laggards.

AODP stated also that funds worth $27 trillion, comprising 60 percent of the world’s biggest investors, have stated that climate change related risks and opportunities are considered into their existing and future investment decisions. Funds listing climate as an investment criteria rose 18 percent from last year.

Julian Poulter, CEO of AODP, reiterated that “the Paris Agreement sent a clear message of global commitment to tackle climate change...Institutional investors are responding by rapidly scaling up action to tackle climate risk and seize opportunities in financing the low carbon economy.” The direct effects of climate change, such as rising sea levels or extreme weather events, have been already put as an issue for new investment decisions. The latter also has become an issue after that Bank of England Governor Mark Carney warned that climate change could lead to “huge” losses for the financial industry. Assets on vulnerable coastlines such as South Florida are expected to see their valuations affected long before the water actually reaches their doorsteps. John Hewis, chairman of AODP, warned there is still an “enormous resistance” to managing climate risk.

Since the Paris December 2015 climate deal, which was signed by almost 200 countries, carbon related issues have become a hot item. A new threat to conventional energy investments or energy-intensive industries has been put on the table, possible removing a big chunk of value of these listed companies. At the same time, the Paris agreement has created a new momentum in green investing and accelerated the move away from the dirtiest fossil fuels such as coal. Main stream US-EU based pension funds have already decided to divest or end investments in fossil related industries.

Still, the most remarkable outcome until now is that analysts would have expected that fully focused sovereign wealth funds of oil and gas producing countries would be the most reluctant to take environmental and climate change issues on. In reality, based on the OADP report, is that North American investors are lagging most, while SWFs from the Middle East and China only made up the largest asset owners with low scores. OADP stated that the China Investment Corporation, the Saudi Arabia Monetary Agency’s foreign holdings, and the Kuwait Investment Authority, all with over
$590 billion under management, have been slow to adapt.

The AODP’s fifth global index ranks the world’s largest 500 asset owners and, for the first time, the 50 largest asset managers on their performance managing financial risks associated with climate change. Asset owners and managers were scored on governance and strategy, portfolio carbon risk management and metrics and targets, and graded as leaders (A-AAA rating), challengers (B-BBB), learners (C-CCC), bystanders (D-DDD) and laggards (X). Of the 500 asset owners, there are now 34 leaders, 34 challengers, 44 learners and 187 bystanders, an increase in all categories since the last year compared with laggards, which fell from 246 to 201 in number.

According to the AODP report, nearly one in five asset owners have staff focused on integrating climate risk into their investments, two in five (42%) incorporate climate change into their policy frameworks, and 13% of asset owners now calculate portfolio carbon emissions, up from 10%. However assessing the risk of stranded assets is still quite an advanced tool used by only 6% of the index.

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<th>ASSET OWNER NAME</th>
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<tr>
<td><strong>Total</strong></td>
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Source: Asset Owners disclosure Project
ADIA ARBITRATION CITIGROUP LOST

In Abu Dhabi’s largest sovereign wealth fund ADIA (Abu Dhabi Investment Authority) has lost its latest arbitration vs American bank Citigroup. The latter has prevailed in the arbitration pursued by Abu Dhabi Investment Authority over the sovereign wealth fund’s $7.5 billion investment in 2007 to shore up the then-struggling bank during the subprime mortgage meltdown.

On March 20 the Manhattan Federal Court unsealed the documents, where Citigroup filed a petition earlier in the month to have a federal judge confirm a decision an arbitration panel issued in December. At that time, a ruling stated that a contractual clause the investment authority said the bank had breached “does not impose continuing obligations on Citigroup regarding the commercial reasonableness of its decision making.” The ruling also ordered that ADIA should pay Citigroup nearly $9.5 million in legal fees and expenses. After the current ruling, ADIA has reported that it will not continue to challenge it.

The arbitration case was mainly related to the situation in November 2007 that Citigroup need to shore up its capital base after announcing in November 2007 that it had $55 million in exposure to subprime mortgages. In a deal to counter a possible $8 billion to $11 billion in losses due to write-downs, a deal was reached with ADIA to invest $7.5 billion in exchange for a 4.9 percent stake in the bank. At that same time ADIA also received securities that could be converted to common stock at $31.83 to $37.24 from March 2010 to September 2011. During the US financial crisis, Citigroup was hit very badly, and was forced to take two government bailouts. The latter mainly meant a dilution of investments for ADIA.

ADIA’s main complaint in the arbitration case in 2009 was that it accused Citigroup of fraudulently inducing its investment, in part by issuing preferred shares to other investors that diluted its stake. In 2011 however the International Centre for Dispute Resolution of the American Arbitration Association rejected the claims, and federal courts in New York upheld that ruling.

Even that the legal arbitration case between Citigroup and ADIA has been ended, it will need to watched carefully. ADIA and Citigroup have both stated that they will continue their cooperation. However, the possible frictions in place, mainly due to ADIA’s comments that they are not happy with the outcome, but will not take further legal action, puts some pressure on a more long-term business relationship between the two parties.
UK BREXIT STILL SEEN BY QIA QATAR AS A REAL ESTATE OPPORTUNITY

Although European media sources are filled with analysis pieces on the detrimental effects of the Brexit decision by the UK on its economy, some parties still see it as an opportunity. One of the world’s largest sovereign wealth funds, QIA, holding at present $335 billion on assets, is very optimistic about the potential of the British markets. QIA, already since years very active in the UK, mainly in the London area, sees a long list of opportunities popping up in the infrastructure, healthcare and technology sectors.

Even that QIA, in line with other GCC SWFs, has been diversifying its portfolio away from Europe to the US and Asia, the fund still looks at Britain. QIA Chief Executive Sheikh Abdullah Bin Mohammed Bin Saud Al Thani stated at the end of March at a SWF conference in London that “I am still looking, even after Brexit there will be opportunities QIA can really hunt for”. He even bluntly indicated that, just two days before UK PM Theresa May was triggering the formal Brexit talks with the EU, that QIA is willing to step in whenever the British government would be asking them. Asked what sectors in Britain he was particularly looking at, he said: “Our aim now in the future is really to focus on infrastructure, and we will be focusing also on healthcare and IT.”

Talking about possible investments and showing its willingness is just one step, real investments however need to materialize to have an impact. The latter was reiterated by Qatar’s PM Sheikh Abdullah Bin Nasser Bin Khalifa Al Thani, who stated that Qatar will be investing around 5 billion pounds ($6.3 billion) in the UK in the next five years.

QIA and Qatar have also openly stated that they will be supporting the British government’s economic efforts after Brexit. One of the other main reasons that QIA and others could be interested in the UK after EU option is that UK PM May has indicated that they will have a much more attractive tax regime than the EU countries. The latter could become a major USP for investors in future.

For most investment analysts, there is one main question on mind. Will QIA, and others, still be having a large appetite to invest in real estate in the UK, as they have been snapping up billions worth of it the last years in London, or will there be a diversification in the portfolio as real estate could be paying a heavy price in the London area the coming years due to the Brexit leave of mainstream companies and investors. Qatar is one of the most high-profile investors in the British capital, owning landmarks such as the Shard skyscraper, Harrods department store, luxury hotels and a stake in the Canary Wharf financial district.

The last weeks, QIA also has increased its financing to Canary Wharf Group. In combination with Cain Hoy Enterprises, which is providing a £450m development loan to Canary Wharf Group to fund its office development One & Five Bank Street, QIA also will provide 25% of the loan, Cain Hoy 75%. One & Five Bank Street is a 715,000 sq ft commercial scheme offering office space, three levels of trading floors, a retail unit at ground level and public access to a new promenade along the South Dock. The 27-storey scheme, designed by architects Kohn Pedersen Fox, is set to complete in early 2019 and is already 40% pre-let to Société Générale. The remaining 359,000 sq ft of office space, set across floorplates of 27,000 sq ft, is being marketed by JLL, CBRE and GM Real Estate.
As British newspapers stated lately, Qatari investors own more property in the capital than the Mayor of London’s office and three times more than the Queen. Canary Wharf Group Investment Holdings, which is co-owned by Qatar Holdings, part of the Qatar Investment Authority (QIA) and American investment group Brookfield, is the capital’s largest property owner, with almost 21.5m sq ft of space on its books, according to data from the research firm Datscha. Qatar also owns 1.8m sq ft, making the Middle Eastern country by far the most dominant force in London property. In contrast, Her Majesty owns just under 7.3m sq ft. Sheikh Hamad bin Jassim bin Jaber Al-Thani, the former head of the QIA, said last year that Qatari investment into the UK to date amounted to £30bn, and that London was the preferred destination. QIA owns the site of the Chelsea Barracks, the Olympic Village and the Shard, along with Canary Wharf which contains some of the city’s largest buildings.

Qatar’s QIA has already been diversifying part of its portfolio in Britain, taking up stakes in retailer J Sainsbury Plc and London Heathrow airport. It has also been a part of a consortium to take a 61 percent stake in the UK gas-distribution business of National Grid Plc. For British investors and politicians it should however become a major target to get SWFs, such as QIA, to take part in new hard-needed infrastructural projects in the country. Taking into account the fact that European investment banks and financial institutions will be wary or not even able to support new infrastructure projects in the UK after the Brexit, new sources of financing should be found very quickly. QIA could be interested as these projects are high-profile investments but with very low risks.

At the same time, QIA is also trying at home to the results of the second overhaul in three years. Sources stated in March that Qatar Investment Authority (QIA) will transfer oversight of its approximately $100 billion (Dh367 billion) domestic portfolio to the country’s finance ministry. The latter move is critical, as it puts QIA’s stakes in companies such as Qatar Airways, Qatar National Bank SAQ and telecom provider Ooredoo QSC under the control of finance minister Ali Shareef Al Emadi.

Main reason for the latter is that Qatar, forced by lower oil and gas prices worldwide, is overhauling its $335 billion SWF. Lower hydrocarbon revenues are slowing the pace of vast wealth accumulation and buyouts of trophy assets around the globe. QIA, created in 2005 to handle the country’s windfall from liquefied natural gas sales, already reported in 2016 that it had grouped its local
assets into a new unit. The move was the fund’s biggest shake up since Shaikh Abdullah Bin Mohammad Bin Saud Al Thani took over from Ahmad Al Sayed as chief executive officer in 2014. The above mentioned move also increases the power position of finance minister Al Emadi, who already is chairman of the country’s national airline, property developer Qatari Diar Real Estate Investment Co. and of QNB, the Middle East’s largest lender, as well as a QIA board member.

The positive views on British opportunities is not only a one-way street for Qatar. QIA, as an economic-financial instrument in Qatar’s geopolitical strategy, is also to be used to attract UK based investors to invest in the gas country. Lower oil prices have sapped government revenue, forcing Qatar, the richest country in the world on a per capita basis, to issue $9 billion bonds in May. Qatari government officials are now assessing the London financial circles for more investment flows into Qatar as the country diversifies its economy away from oil and gas and continues a $200 billion infrastructure upgrade before the 2022 World Cup.

Fahmi Al Ghussein, CEO of Doha-based asset manager Amwal, stated lately that Qatar wants to "attract institutional money from the UK, especially through our forthcoming exchange-traded fund that will list on the Qatar Stock Exchange”.

To counter possible international worries about QIA’s international investments and stakes, the Qatari government has decided to leave alone and not to tap the Qatar Investment Authority’s (QIA) foreign assets. The latter was reported by Bank of America Merrill Lynch (BofAML) in its recent May 2017 Macro Monthly Report. The BOAM said that the latter move is in part due to the rate of return on QIA assets being greater than the cost of borrowing. It also allows QIA’s investment income to be reinvested. In BofAML’s opinion, this decision may also reflect the lower liquidity profile of QIA although it appears QIA is now looking at increasing exposure to passive investments. Authorities are expected to decide in June or September of this year whether to issue an international bond or not.
The future of the Saudi Public Investment Fund is currently being decided as Deputy Crown Prince Mohammed Bin Salman is making headlines again with regards to his Saudi Vision 2030, Aramco IPO and domestic investments. In March 2017 the Kingdom shocked part of the international investment community by stating that it had slashed taxes on its state-owned oil company Saudi Aramco. The latter move was seen as necessary to clear some headspace for Aramco to make profits for investors ahead of a planned sale of a 5% stake in an IPO.

Saudi Arabia has dramatically reduced taxes on the income of the world’s biggest oil producer to 50%, in comparison to the current level of 85%. The cut will be backdated to January 1 2017. Khalid Al Falih, Saudi minister of energy, stated that “this Royal Order on tax for oil and hydrocarbon producers operating in the Kingdom brings the Kingdom of Saudi Arabia in line with international benchmarks”. Still, the last days, it has become clear that an IPO of Aramco will not include a situation that investors and shareholders will become a prominent decision making factor in the future of the giant. Al Falih and Mohammed Bin Salman have reiterated that the hydrocarbon resources of the Kingdom of Saudi Arabia remain sovereign. The main strategy of Aramco is still part of the Kingdom’s strategic views, not to be influenced by international third parties.

The tax issue is at present a key component in determining the price of Aramco’s business which is expected be valued at more than $2 trillion. High taxes would have made it less attractive, and would have put a major dent in prospective revenues of the IPO. For PIF this is a major issue of concern. Cash from the sale will be used to establish a sovereign wealth fund, to be built on the current organization of the PIF, that will invest outside of the oil business and in support of developing non-oil sources of income within Saudi Arabia.

The new 50% tax rate will apply to all Saudi oil companies with capital of more than 375 billion Saudi riyals ($100 billion), according to a report appearing on the Saudi state-owned news source the Saudi Press Agency. Saudi oil companies valued at between 375 billion and 300 billion riyals, will pay 65% income tax, those at between 300 billion and 225 billion riyals will pay 75% and any company below that threshold will continue to pay 85%. This also will influence the value and revenues of all other Saudi companies to be put under the umbrella of the PIF.

At present, the Aramco IPO will be leading the future of the PIF. MBS stated last week again that the fund will make half of its investments in the domestic economy. Riyadh expects to raise more than half of the tens of billions of dollars needed by selling shares in national oil giant Saudi Aramco and promised to reinvest the money in job creation. Based on MBS’ statements on MBC TV, in the three years after the IPO, the PIF will spend over 500 billion riyals ($133 billion). Around 70% of this will be done locally, setting up projects and investment schemes in promising non-oil sectors such as mining and logistics in Saudi Arabia. Another major part will be in providing soft loans to counter the Kingdom’s shortage of private housing. First financing will be already available in Q3 2017, aiming to arrange the construction of over a million housing units through soft loans or the Saudi Real Estate Development Fund.

Other major investment schemes are expected in two other sectors, high-tech and defense. As MBS indicated, at present Saudi Arabia’s defense expenditure is for 99% focused on imports. This
should be countered by the set-up of an indigenous defense industry and development sector. MBS’ aggressive targets indicate that under Saudi Vision 2030 defense expenditure should reach a 70% percent Saudization within the next years. The PIF will have to play a major role in this too, as current Saudi defense sector operators, all government owned, are expected to be transferred to the PIF also. Main target in this will be the role of Saudi Military Industries Corporation (MIC). Since long the latter is being groomed to be Saudi’s national defense conglomerate, but the lack of full-scale technical capabilities and finances have until now constraint its development. Not recognized by most analysts, but MBS has indicated that future international defense contracts will entail the stipulation of being overwhelmingly Saudi sourced.

In how far the PIF is able to assist in these strategic issues is still unclear, as the in-house capabilities of the PIF management to deal with such as wide range of economic-technical and financial issues is still available. A role of the PIF in defense sector development is also still to be seen, as this could result in a possible collision between financial and military-geopolitical strategists. Military operations and technology developments are not always based on pure financials or economics as we know. An in-depth cooperation between PIF, the Ministry of Defense and the Armed Forces, will be needed to be in place before these steps can be taken.
The Turkish Sovereign Wealth Fund (TVF), which was set up in August 2016, and currently holds assets such as the Turkish National Lottery, public lands, Turkish Airlines and Halk Bank, has been seeing major expansions the last months. The transfer of the Defense Industry Fund (TRY 3 billion) is just one of them. Cemil Ertem, advisor to Turkish President Tayyip Erdogan, stated on April 14 that TVF could purchase a brand or a bank abroad. He also added that the fund would start operations after its three-year strategy is announced. Ertem said the fund may make purchases on Turkey’s bourse. The government has already transferred billions of dollars in stakes of Turkish Airlines, major banks and other companies to the fund to finance big-ticket infrastructure projects.

Criticism on the set up of the TWF does still exist. The lack of transparancy or that it is exempt from the audit by the Court of Accounts are just some of the main critical assessments made. At the same time, Turkish analysts are worried about the fact that, in contrast to other SWFs, such as ADIA, NPF, QIA or Mubadala, the TVF seems only to be set up to provide funding for major infrastructure investments. Others have also criticized the fact that the TVF is currently looking as a new Public Participation Fund, which was set up an off-budget fund financing highways and bridges. The latter was done by issuing Revenue Sharing Certificates (RSC’s), against the future revenues to be obtained from such investments. Turkish TEVA criticized this fact by stating that the Public Participation Fund was only served to circumvent fiscal discipline, issued high amounts of RSC’s, which was deeply discounted in the secondary market and eventually ended up in the Treasury’s books. The fund was abolished later on.

Looking at the current development, the TVF is doing the same but also spreading its wings to international projects, such as the set-up by Turkey and Russia of a joint investment fund. The agreement was signed between the Turkish SWF and the Russian Direct Investment Fund, aiming to reach a value of $1 billion, all in infrastructure projects.

The TVF also has set up an agreement, during the Islamic Finance Summit in Istanbul, with the Islamic Development Bank (IDB). The latter indicated that its support for the establishment of the TVF was to support the Islamic finance.

The lack of transparancy and still fledgling strategy, which is led by political ideas of the Erdogan government, does however not deter a major European financial institution to seek cooperation. At the beginning of May the European Bank for Reconstruction and Development (EBRD) stated that it targets TVF as a major partner. Jean Patrick Marquet, managing director of the EBRD, stated that this is in-line with other partners, such as Kazakhstan’s sovereign wealth fund, currently its largest client. Marquet said in Istanbul that the EBRD wants to contribute with TVF to develop financing infrastructure, energy projects and the capital market. “Turkey is a very large, dynamic, sophisticated economy. But one surprising weakness is the fact that capital markets are relatively shallow,” Marquet said. Noting that one of the EBRD’s major objectives was to increase the number of Turkish companies listing on Borsa Istanbul and on global stock markets, Marquet said the TVF could be the catalyst to effectively bringing forward deeper capital markets.
OMAN CONSIDERING SOVEREIGN WEALTH FUNDS MERGER

As one of the last in line, Gulf CC member and non-OPEC oil producer Oman considers to merge its two main sovereign wealth funds. Omani sources stated that due to the ongoing slump in oil prices and a fledgling oil and gas production locally, the Omanis is assessing the options of merging the State General Reserve Fund with its smaller peer Oman Investment Fund. The latter would put in place a sovereign wealth fund with assets of around $25 billion. The Omani sources, which have not been named, indicated that the discussions are still preliminary, without financial advisors being involved it seems.

The underlying reasons for a possible merger are clear. As Oman is fighting an uphill battle with regards to its oil and gas production, threatening higher costs and lower revenues, its economic growth potential is under threat. The two main sovereign wealth funds, SGRF and OIF, are still seen as potential sources of revenue in the future. However, both are hit by low returns and a lack of investment management capabilities, as sources state. A combination of the two would not only give Oman a possibility to stream-line overall operations, but also introduce hard-needed changes to counter changes in the market. A larger portfolio also would give it more power to target attractive deals. The ideas for a merger are not new, as other GCC countries, such as the UAE (Abu Dhabi's IPIC-Mubadala) or Qatar (banking system), have already taken this road. Oman, as an oil producer, also is feeling the effects of lower crude oil and gas revenues, forcing most GCC countries to restructure their national oil companies or even preparing for an IPO. The need to cut costs is the red line in all. Both Omani funds have not yet reacted to the media reports about a merger.

SGRF, holding assets of $18 billion, was set up in 1980 to invest the country’s financial surpluses and mostly focuses on opportunities outside Oman. The annual return reached 7.1% since its inception, according to the fund’s 2015 report. The Oman Investment Fund (OIF), holding assets of around $6 billion, was founded in 2006 and is fully funded by the Ministry of Finance.

In its latest report, Regional Economic Outlook, the International Monetary Fund (IMF) reports that the Omani economy is experiencing a mixed performance though combined with improving prospects. As fiscal challenges are becoming less serious in 2017, Oman has shown exceptional ability in attracting investor interest for a $5 billion debt issue with five-, 10- and 30-year tranches. The Outlook also indicated that Oman’s real GDP in 2017 and 2018 would grow by 0.4 per cent, due to spending cuts and relatively weak economic activity, and 3.8 per cent respectively. Overall deficit should fall to around 10 per cent in 2017, in comparison to 20.6% in 2016. The country’s economy and budget however is still threatened by oil price volatility. The IMF has lowered the break-even point for Oman’s budget to $79.2 in 2017, down from $80.1 in 2016 and $100 in 2015. Still, financial agencies are still positive about Oman, even that credit agencies remain annoyed with the heavy reliance on the oil and gas sector (70%). Moody’s maintains a stable outlook for the economy despite the downgrade in the country’s ratings twice in 2016, first by two notches to A3 and then later to Baa 1. Standard & Poor’s still keeps to its BBB-/A-3 for long-term and short-term foreign and local currency sovereign credit ratings.
Libya’s main financial institution, the Libyan Investment Authority, is still under severe pressure. After the removal of Libyan dictator Muammar Qadaffi in 2011, a Pandora’s Box of illegal arrangements and deals has come to the surface, threatening to block the North African country’s future financial wealth. At present, all attention is focused on a new lawsuit ($1.5 billion) that LIA is holding against Societe Generale SA. The latter, slated to be packed with allegations of corruption and bribery, could be one of London’s most dramatic trials of 2017. The lawsuit is expected to the coming days, but most of it will be held in secret.

The Libyan SWF is again back in the court rooms, after its first lawsuit against another party Goldman Sachs Group was thrown out six months ago. The world will be watching as LIA is a major boon for all parties in the country’s civil war. The US is also investigating a long list of international and national banks with regards to operations in Libya.

The Societe Generale – LIA case will be behind closed doors, as several SocGen senior executives will be testifying. Parties fear that this could incriminate the US probe. Around 50 Libyans are also going to be heard, but their identities are being shielded too. The safety of the Libyans are threatened, including that of their families in Libya. Analysts also have indicated that another reason for this overall secrecy is the fact that there is a banking litigation and a criminal investigation ongoing at the same time. Normally, the banking litigation would be held in the open.

The Libyan SWF was set up under the reign of Muammar Qaddafi, and holds currently assets of around $60 billion. LIA is now trying to recoup several billions of dollars which were lost in deals made during the financial crisis. The lawsuits against Goldman Sachs and SocGen have been hit by the fact that the Libyan civil war, as the two rival governments in the country (Haftar and El Serraj) are claiming the control of the fund and its legal cases in London.

In contrast to the Goldman Sach’s case, which was based on undue influence and thrown out, the SocGen case is about bribery. Libyan businessman Walid Al Giahmi has received a $58 million payment by SocGen, LIA states at present. According to LIA court filings, around $24 million of that payment went to a single official that has been granted anonymity. At the same time, LIA accuses SocGen, Al Giahmi and Panamanian company Leinada (controlled by Al Giahmi), to have done payments in 2014 relating to trades worth $2.1 billion. It claims its employees were paid bribes and intimidated into entering the trades. SocGen and Al Giahmi have declined to comment at present.

For outsiders the accusations are unclear, as most filings are sealed or redacted. What is clear is that Al Giahmi was a friend of the Saif Qaddafi, a son of Muammar Qaddafi. A; Giahmi now seems to have offered to provide a list of 50 Libyans that were paid, under the condition that their identities would be protected. LIA and SocGen want these restrictions to be removed, claiming that their law suit is being influenced as they are not able to defend themselves rightfully.

Both the Goldman Sachs and Societe Generale law suits originate from deals in 2008, when both parties were in competition for investments from the LIA. The Libyan fund also made bets with hedge funds Millennium Global Investments Ltd. and Och-Ziff Capital Management Group as it sought to deliver quick returns and emulate more established sovereign wealth funds.
At the same time, the internationally recognized head of Libya’s $67bn sovereign wealth fund is also appealing to the UN in an attempt to allow the fund to manage its frozen assets, despite the violent political rivalries plaguing state institutions. Ali Mahmoud, head of a steering committee appointed by the UN-backed government to oversee the Libyan Investment Authority, said the fund was “losing a lot of money” because it was unable to manage old equity and bond investments.

Since the 2011 Libyan uprising against Muammar Gaddafi, the LIA’s assets have been under UN sanctions. The civil war until now has blocked any attempt to have the assets unfrozen. The chaos has affected the central bank, the National Oil Company and the LIA with officials backed by political adversaries bickering over the leadership of the organizations and their resources.

The UN-backed government in Tripoli is weak, has little influence beyond the capital and is locked in power struggles with rivals, including a parliament in Tobruk that is allied to Khalifa Haftar, the main military strongman, backed by Russia- Egypt- UAE, who controls much of the east. The Tripoli offices of the LIA are under the control of Abdulmagid Breish, a former leader of the organization, who has said the fund’s assets should only be unfrozen when the political situation stabilizes. The appointment of Mr Mahmoud was delayed by a Libyan court. Still, Mahmoud is internationally operating as the LIA representative, even taking part in board meetings of foreign companies in which the fund holds stakes, such as UniCredit bank of Italy and First Energy Bank in Bahrain.

Mahmoud is also in conflict with another figure claiming the leadership of the LIA. Ali Shamekh, who was appointed the fund’s chief executive in August by rival authorities in eastern Libya.
Falcon Private Bank skidded to a loss, when the bank was roiled by the 1MDB scandal, forcing a capital injection from its Abu Dhabi owner. The Swiss bank also named its fourth chairman in seven years, after the regulator insisted on more independence.

The Swiss private bank didn't mention 1MDB in a statement, but it didn't need to, the fallout from the billion-dollar Malaysia graft scandal is evident. The bank, owned by Abu Dhabi’s sovereign wealth fund, was sent packing from Singapore and its branch manager jailed after it became apparent that Falcon had readily catered to 1MDB linchpin Jho Low, persisting with dubious transactions even over vocal objections of lower-ranked employees.

The scandal left its mark on Falcon's results for the year: the bank swung to a 128 million Swiss franc loss, from a profit on nearly 10 million francs one year ago, after writing off more than 85 million in illiquid positions from legacy businesses. The bank, which quickly dispatched board member and former Credit Suisse private bank head Walter Berchtold into management when the scandal broke, said the move draws a line under its financial restructuring.

The bank also named its fourth chairman in seven years. Christian Wenger, a Swiss securities lawyer, will take over from Murtadha Al Hashmi, the finance chief for IPIC, a vehicle of Abu Dhabi's oil-rich emirate. Al Hashmi was effectively demoted to vice-chairman through the move, which is a result of Swiss regulator Finma's insistence of an independent chairman, a bank spokesman said. Wenger has been on Falcon's board since 2005.

Falcon said Abu Dhabi is committed to the investment, and had injected an undisclosed amount of capital to compensate for the loss and to reinforce the bank's capital, which now stands at over 20 percent.


Barclays Qatar Investigation Said to Be Re-Opened by U.K. FCA

The U.K. Financial Conduct Authority has re-opened its investigation into Barclays Plc’s 2008 emergency fundraising from Qatar despite issuing a fine in the case four years ago, as charging decisions from a parallel criminal case are set to be announced imminently, according to a person familiar with the probe.

The FCA called in a number of people for interviews in the case in recent weeks, said the person who asked not to identified because the process is private. The U.K. regulator already fined Barclays 50 million pounds ($62 million) over the fundraising in 2013. The bank said it will contest the penalty but the challenge was put on hold pending the outcome of criminal probe by the U.K. Serious Fraud Office.

The investigations target two “advisory services agreements” worth 322 million pounds that Barclays committed to pay the Qatar Investment Authority during the 2008 financial crisis. The pacts came around the same time the sovereign wealth fund joined a two-stage 12 billion-pound fundraising to help the bank avoid a state bailout, raising questions about the true purpose of the services agreements.

The FCA’s decision to re-open its case comes after Barclays turned over about 100,000 new documents to the SFO last year after dropping a claim the material was covered by attorney-client privilege, the person said. If the FCA wanted to alter its previous penalty report-- known as a warning notice-- substantially, or issue a new one, it would have to get sign-off from the Regulatory Decisions Committee. The RDC is an independent internal panel that must approve enforcement action before it’s issued.

The SFO plans to announce any charges in the coming weeks. At least eight former senior Barclays individuals have been interviewed under caution by the prosecutor in the probe including former Chief Executive Officers John Varley and
Bob Diamond. Interviews under caution are generally conducted with possible suspects and anything said can be used in court.

A number of those individuals have sent final pleas to the SFO in recent weeks outlining why they shouldn’t face charges, people with knowledge of the case told Bloomberg last week. The SFO told a London court last year that it would decide on charges by the end of March, and the prosecutor is on track to make an announcement around then, three of the people said.

The FCA also issued so-called preliminary investigation reports to a number of ex-Barclays executives a few years ago, people with knowledge of the case said previously. PIRs are the first stage of the enforcement process, outlining the regulator’s findings for the individual to respond to. They are usually followed by a formal notice of enforcement action, which often includes a fine.

In the award, the ICDR tribunal rejected the ADIA’s claims that Citigroup had breached both their investment agreement and the implied covenant of good faith and fair dealing arising from that agreement, and it awarded Citigroup approximately $9.1 million in attorneys’ fees and approximately $362,000 in costs. The bank had originally sought in its March 22 petition to not only enforce the award, but also for unspecified fees incurred in the instant suit and interest. The ADIA had responded two weeks later that it wasn’t opposed to the award being confirmed, but that Citi wasn’t entitled to interest or additional fees or costs, in part because the ADIA had never opposed confirmation of the award.

The underlying ICDR arbitration had actually been the ADIA’s second arbitration against Citi over the 2007 deal. The fund had previously launched an arbitration in December 2009 that resulted in an award in 2011 rejecting the ADIA’s claims and requests for relief.

The ADIA tried to have the award vacated in court, as Citi cross-petitioned for confirmation of the award. The ADIA’s challenge was rejected by both the district court and the Second Circuit, and the U.S. Supreme Court rejected the ADIA’s petition for review in October 2014. The second arbitration was initiated in August 2013, after the district court confirmed the first award, but before the Second Circuit affirmed that judgment, according to Citi’s petition.

The dispute stems from the ADIA’s $7.5 billion investment in Citigroup in November 2007. Under the terms of the deal, the ADIA received an 11 percent annual yield, but was obliged to convert the Citigroup stake into common stock on specified dates in 2010 and 2011 at prices up to $37.24 per share, according to court documents. That price was almost 10 times what Citigroup shares were trading for at the time the ADIA first filed for arbitration in 2009, after the company took a battering during the financial crisis and had to be bailed out by the federal government.

**Citigroup Won’t Seek Fees, Costs In Arbitration Spat**

24 March 2017

Citigroup has told a New York federal court it will drop its bid to recover attorneys’ fees incurred during litigation to confirm a 2016 arbitration award, which rejected a claim brought by Abu Dhabi’s massive sovereign wealth fund over money lost in a $7.5 billion investment deal soured by the financial crisis.

Citigroup Inc.’s March 22 memorandum to the court explained that since the Abu Dhabi Investment Authority has agreed not to oppose confirmation of the December award, which was issued by an International Centre for the Settlement of Investment Disputes tribunal, it will forego any award of attorneys’ fees and costs it has incurred in the instant suit, as well as any pre- or post-judgment interest to which it may have been entitled.


Oman agrees to deepen ties with Iran central bank

26 March 2017

Oman’s central bank has signed a memorandum of understanding with the Iranian central bank to strengthen financial and economic cooperation between the two countries, the Omani institution said. It did not give details of the cooperation, but said the agreement would boost bilateral trade and include training for Iranian central bankers.

Worried by the threat of US legal action against Iran over money laundering accusations, most central banks around the world as well as major international banks have been reluctant to develop ties with Tehran. But Oman has traditionally had close business and diplomatic relations with Iran, and it is hoping for Iranian investment to help it cope with economic pressure due to low oil prices.

Last year an Omani sovereign wealth fund agreed to study a proposal to build an auto plant in Oman with Iranian investment. In April 2016, Bank Muscat, Oman’s largest bank, said it had received all regulatory approvals to open a representative office in Iran.

Qatar Sovereign Wealth Fund to open office in Silicon Valley

27 March 2017

Qatar’s Sovereign Wealth Fund said it would open an office in San Francisco to expand its growing US portfolio, and was still considering investing in a technology fund formed by SoftBank Group Corp. The Qatar Investment Authority (QIA), one of the most active of its kind, has stakes in everything from real estate to luxury goods, traditionally largely in Europe. But it has said it is looking to diversify into Asia and the US. “Soon we will be opening an office in the Silicon Valley in San Francisco,” the fund’s CEO, Shaikh Abdullah Bin Mohammad Bin Saud Al Thani, told reporters at an investment conference in London.

“What we plan is to open the office hopefully by the end of this year, if not by end of this year then it will be first quarter of next year. It will be linked very commercially to our office in New York and we will take it from there,” he said. Qatar was considering investing in a $100 billion global technology fund formed by SoftBank Group Corp, the Japanese telecommunications and internet company, and Saudi Arabia, Bloomberg reported in October. “We are still in a study but we haven’t made a decision yet,” Al Thani said on Monday.

In 2015 Qatar said it would spend $35 billion in the United States over the next five years after opening an office in New York. In December the fund said it would invest $10 billion in infrastructure projects inside the US.

Qatar wealth fund CEO to support LSE whether Deutsche merger goes ahead?

27 March 2017

The Qatar Investment Authority, the Gulf Arab state’s acquisitive sovereign wealth fund which has a major stake in the London Stock Exchange, (LSE) will continue to support the London exchange whether or not merger talks with Deutsche Boerse go ahead, its CEO said in London. “We are still waiting for the legals and regulators to answer back on the merger and we are very supportive. We will continue supporting the London exchange in whatever manner we can, whether Deutsche Boerse merger goes ahead or not,” Sheikh Abdullah bin Mohammed bin Saud al-Thani told reporters on the sidelines of an investment forum in London. The European Commission will shortly veto the proposed merger, four sources close to the matter said last week, scuppering plans to create Europe’s biggest exchange.

Emaar Malls Bids $800 Million for Souq to Challenge Amazon

27 March 2017

Emaar Malls PJSC, the operator of the world’s biggest shopping center, bid $800 million for online retailer Souq.com, challenging an offer made by Amazon.com Inc. The retail division of Emaar Properties PJSC, the developer of the world’s tallest skyscraper in Dubai and run by Mohamed Alabbar, said the bid hasn’t been accepted yet by Souq.com shareholders, according to an emailed statement from the company. Any impact on the company’s profit after a deal has been reached wouldn’t be material, it said.

Emaar Chairman Alabbar is increasingly focusing on technology investments and is leading a $1 billion investment company formed with other regional investors. He raised a similar amount from investors including Saudi Arabia’s sovereign wealth fund to create e-commerce firm Noon, bought a stake in regional logistics firm Aramex PJSC in July as well as 4 percent of Yoox Net-a-Porter for 100 million euros in April.

At the same time Amazon restarted talks to acquire Souq.com in a deal valued at as much as $650 million after walking away earlier this year, people familiar with the matter said earlier this month. Souq.com was valued at $1 billion in its last funding round, people with knowledge of the matter said in April 2015. The retailer raised $275 million, making it the most valuable internet company in the Middle East, according to Standard Chartered Plc, which had invested in the company.


More real estate investment trusts expected in UAE

27 March 2017

The asset manager behind the UAE’s second listed real estate investment trust (reit) expects more to follow. Emirates NBD Asset Management listed ENBD Reit on Nasdaq Dubai last week. “There is room in the UAE for 10 or 20 reits,” said Anthony Taylor, fund manager of real estate for Emirates NBD Asset Management. “This is a very significant part of the investment horizon. We feel comfortable, being second, that many more will follow and it’s important to have an established market.”

Although listed reits have only existed in the UAE since the launch of Emirates Reit on Nasdaq Dubai in 2014, institutions have been setting up unlisted collective investment vehicles since the mid-2000s. These include the US$200 million Arabian Real Estate Investment Trust, set up in 2006 by HSBC and Daman, the original Emirates Reit vehicle which was established in 2010 by Dubai Islamic Bank and Dubai Properties and the original ENBD Reit, which was set up as a Jersey- based open-ended real estate fund in 2005. Unlisted reits also operate in Kuwait and Bahrain.

Despite generating attractive yields, many reits in the GCC have struggled to acquire the sort of big-ticket blocks of apartments and offices in which reits traditionally invest. Fund managers say that for large assets worth more than Dh1 billion, yields have shrunk to between 5.5 and 6 per cent as trusts compete with sovereign wealth funds, private family groups and Asian pension funds.

“Reits in the GCC region are at the nascent stage,” said NBC Capital in a note to investors this month. “With the exception of Saudi this is due to factors including a lack of legislation [until recently], relatively small populations of GCC countries [hence lower demand] size of stock markets, and misplaced demand and supply (the reit asset base is primarily GCC, however, the region’s population largely comprises expats). In our view, as each of these factors is mitigated and the market matures, more reits should evolve in the region.”

http://www.thenational.ae/business/markets/more-real-estate-investment-trusts-expected-in-uae
**Qatar’s QIA chief says he’s absolutely confident in Russia’s Rosneft investment**

27 March 2017

Qatar is "absolutely" confident in its investment in majority state-owned Russian oil company Rosneft, the head of Qatar’s sovereign wealth fund said, speaking to Reuters on the sidelines of an investment conference in London. Qatar Investment Authority and commodities trader Glencore paid $10.8 billion for a 19.5 percent stake in Rosneft last year. Asked if he was confident about the investment, Sheikh Abdullah bin Saud al-Thani, chief executive of the QIA, said: "Absolutely, no doubt."


**GCC real estate investors’ global hunting ground**

27 March 2017

Despite a fall in oil prices and economic attention turning increasingly inwards, investors from the still abundantly affluent GCC countries keep value hunting on the international property market. Political and economic developments such as a looming Brexit, a new administration in the US, demonetization in India, the refugee crisis in Europe or the tense situation in Turkey are not holding GCC investors back from looking for good real estate deals, and outbound investments are streaming steadily.

Exact figures are hard to come by since there are no capital transfer limits from GCC states and, therefore, no official records on overseas property investment. Globally, according to CBRE, outbound commercial property investment flowed mainly into hotels, offices and retail property, with New York, London, Hong Kong, Paris, Milan, Atlanta, Washington, Tokyo, Sydney and Frankfurt being the preferred destinations, while investment into residential property is focusing on other locations.

**UK and Brexit**

The Brexit referendum and the increased stamp duty have not been able to curb Arab investor interest in the UK capital. Actually, the fall in the value of the pound relative to the US dollar and dollar-pegged currencies outweighs concern about the UK possibly leaving the EU. "We are still seeing strong demand for London from the GCC and also into the outer areas for GCC investors driven by a search for higher yields," says Victoria Garrett, Partner at Knight Frank Middle East. "In terms of a safe haven for investment from the GCC, London is still the number one destination for high-net-worth individuals looking to live, work and educate their children. London offers opportunities for investment from studios to trophy asset penthouses in prime central locations."

It is also understood that Middle East property investors in London are not really concerned that much about Brexit. "We do not get the impression that London is a springboard to major cross-border EU deals by Middle Eastern investors," says Jonathan Lawrence, partner in the London office of global law firm K&L Gates. Thus, the UK possibly leaving the EU doesn’t really influence buying decisions.

Richard Bradstock, director and head of Middle East at international property investment firm IP Global, is looking at the broader UK market and not just London. "With the results of the Brexit vote and the sharp fall of the pound, now is the perfect opportunity for dollar-pegged Middle East investors to tap into the long-term potential of the UK market," he says. "We believe the ‘safe haven’ element is likely to remain a permanent fixture for the UK market, as the exchange rate will bounce back in time, which is why this ‘Brexit discount’ is a short window of opportunity."

**Morocco**

Morocco recently started to attract GCC investors to its real estate market, following investments in other sectors such as tourism, energy, construction and agriculture. Morocco is so far the only country in the Maghreb that has benefitted from such a large increase in investment from the GCC in the
last few years, after the country started to ease its formerly red tape-ridden investment and registration procedures. The country is also attractive for Middle East investors due to its distinguished culture influenced by its Berber, Arabian and European heritage.

That said, property in Morocco can still be had for reasonable prices as the country is currently running through a period of re-adjusting real estate values after years of prices increasing. Experts see this as a window of opportunity: while Morocco’s economy grew a lacklustre 1.8 per cent last year, the lowest in 17 years, it is expected to accelerate and get back on track in the next two years, with projected GDP growth rates of 4.8 per cent this year and 4.2 per cent next year.

Destinations to look at are certainly Marrakesh with its beautiful mosques and opulent palaces and gardens. Other hotspots are Rabat, Casablanca and Fez, while Tangier, the country’s most important port city on the Strait of Gibraltar and gateway to Europe, recently saw a number of upscale villa and seaside luxury property projects by European and other international developers for prices half of those in European hotspots at the French or Spanish coast.


Abu Dhabi’s Real Estate Ties To U.S. Deepen With $300 Million Chrysler Building Financing

27 March 2017

Major financial institutions based in Abu Dhabi, no stranger to the U.S. real estate scene, have recently been on both the giving and receiving ends of the financing for prominent New York City properties. The National Bank of Abu Dhabi recently issued a $300 million loan to refinance the Chrysler Building, according to records filed Thursday, coinciding with the completion of the bank’s merger with First Gulf Bank, also based in Abu Dhabi.

The merger will turn the new bank, which will retain the National Bank of Abu Dhabi name, into a global banking power with $175 billion in assets. It will rival Qatar National Bank and overtake Britain’s Royal Bank of Scotland and France’s Credit Agricole, Reuters reports, as Gulf states aim to diversify economies hit by lower oil prices. The National Bank of Abu Dhabi issued the loan to New York developer Tishman Speyer and yet another Abu Dhabi financial institution: the Abu Dhabi Investment Council, or ADIA, a sovereign wealth fund that is owned by the Abu Dhabi government and financed primarily by oil exports. The fund bought a 90% stake in the iconic Art Deco tower, at 405 Lexington Avenue, for $800 million in 2008. The more conservative loan issued this month is significantly less than the previous mortgage of $420 million issued in 2008 by Eurohypo AG (later Commerzbank).

The move comes amid widespread concern regarding what appear to be conflicts of interest surrounding U.S. President Donald Trump’s business dealings, such as the golf course his sons Eric and Donald Trump Jr. recently helped inaugurate in Dubai, also part of the UAE.

One of the top NYC loans in the fourth quarter of 2016 was for the Waterline Square project on the Upper West Side, a three-building residential development that totals an estimated 2 million square feet and is owned by GID Development and Henley Holding Co. – a subsidiary of the Abu Dhabi Investment Authority, which the Wall Street Journal has called one of the largest property owners in the world.

Qatari Fund to Sell $900 Million Holding in Santander Brazil

28 March 2017

Qatar Investment Authority, the Persian Gulf country’s sovereign wealth fund, is selling as much as $900 million-worth of shares in Banco Santander SA’s Brazilian unit, taking advantage of a more than 75 percent rally in the stock over the past year.
The Qataris are offering 80 million units composed of one common share and one preferred share in Banco Santander (Brasil) SA to international investors in a sale being underwritten by banks including Credit Suisse Group AG and Bank of America’s Merrill Lynch unit, according to a prospectus sent on Tuesday. Units are being offered in the form of American depositary shares, which closed at $9.77 yesterday on the New York Stock Exchange.

“This transaction forms part of the routine portfolio management activities undertaken by QIA from time to time,” the fund said in an e-mailed statement. “QIA has been an investor in Santander Brasil for close to 7 years and, following the completion of this offering, expects to remain the second-largest shareholder of Santander Brasil after Banco Santander.” QIA holds approximately 5.5 percent of Santander Brasil’s equity and intends to sell about 40 percent of that stake, according to the statement. Qatar also agreed an overallotment option of 12 million shares.


UAE’s Emirates Global Aluminium said to mandate banks for IPO

28 March 2017

Emirates Global Aluminium (EGA), one of the world’s top five producers, has mandated Bank of America Merrill Lynch, Goldman Sachs and JP Morgan to advise on its planned initial public offering (IPO), Reuters reported, citing sources familiar with the matter. The three US lenders will serve as joint global coordinators.

The agency reported last week that EGA had requested banks for proposals on its listing, which is expected to take place later this year on either the Dubai Financial Market (DFM) or the Abu Dhabi Securities Exchange (ADX). The size of the offering is yet to be determined.

EGA, which supplies aluminium to more than 60 countries, was established in 2013 through the merger of state-owned Dubai Aluminium (Dubal) and Abu Dhabi’s Emirates Aluminium (Emal). It is owned by Abu Dhabi state fund Mubadala Investment Co and Investment Corporation of Dubai (ICD).


UAE state fund Mubadala nearly triples net profit in 2016

30 March 2017

Abu Dhabi’s state-owned Mubadala Development Co, which is merging with fellow Abu Dhabi-owned International Petroleum Investment Company (IPIC), said its net profit nearly tripled in 2016. Mubadala, which is focused on developing Abu Dhabi’s economy through local companies such as clean energy firm Masdar and stakes in international players such as General Electric, is among the few state-controlled firms to publish results.

The company reported a net profit of 3.3 billion dirhams ($899 million) for 2016, compared to a net profit of 1.2 billion dirhams in 2015, while its total comprehensive income, which comprises all forms of income, was 4.1 billion dirhams in 2016, up from 1.3 billion dirhams the previous year.

Its revenues grew to 31.5 billion dirhams in 2016 from 29.7 billion dirhams in the previous year, while income from financial investments, the main driver of its profit totalled 5.4 billion dirhams in 2016 versus 3.4 billion dirhams in 2015. "It has been a strong year for Mubadala in terms of profits and revenue growth and managing our leverage," Khaldoon al-Mubarak, chief executive & managing director told Reuters. "We reduced our leverage from 14 percent in 2015 to 11.2 percent end of 2016," he added.

PetroChina latest China oil major to consider Aramco listing  
30 March 2017

PetroChina will consider taking part in national oil giant Saudi Aramco’s initial public offering based on market conditions, it said, the second Chinese oil major to discuss becoming an investor this week. “Saudi Aramco has raised this plan to PetroChina,” president and vice-chairman Wang Dongjin said at a briefing following the announcement of China’s largest oil and gas producer’s 2016 results. “I think we will make our evaluation and study based on the market situation,” Wang said. Sinopec Corp said the Aramco president had visited the firm and both sides would have talks on the IPO, which is expected to be the world’s largest equity sale. Wang said PetroChina was also in talks with Aramco on its Yunnan Petrochemical plant and about the possibility of supplying its enhanced oil recovery technology to Saudi oil fields. Sources told Reuters in 2015 that Aramco was looking to invest $1-1.5 billion in its new refinery in the country’s southwest.


Qatar agrees to new $807m investment in Heathrow airport  
30 March 2017

Shareholders in Britain’s biggest airport Heathrow will invest a further 650 million pounds ($807 million) in the hub, the airport said. The airport said in a statement Heathrow’s shareholders had progressed plans to invest the money over the course of 2019. Heathrow delivered a record number of passengers in 2016, and Britain in February outlined plans for a third runway, which will enhance its status as Britain’s main airport. Qatar is a major shareholder in Heathrow, holding 20 percent of the unlisted airport. Earlier in the week it pledged $6 billion of investments in Britain, ahead of Britain’s formal notice of its withdrawal from the European Union on Wednesday. “Our investment in Heathrow is much more than just an investment in one of the world’s great airports, it’s an investment in Britain’s connections to the world,” Sheikh Abdulla Bin Mohammed Bin Saud Al-Thani, Chief Executive Officer of Qatar Investment Authority, said in a statement.


Saudi Aramco appoints banks to advise on share sale  
30 March 2017

Saudi Aramco has formally appointed JPMorgan Chase & Co, Morgan Stanley and HSBC as international financial advisers for its initial public offering, expected to be the world’s largest equity sale, sources familiar with the matter told Reuters. The trio join Moelis & Co and Evercore, which have been appointed independent financial advisers, one source said. The company has also appointed Saudi Arabia’s NCB Capital and Samba Capital as local advisers, the sources said. Saudi Aramco said it did not comment on rumor or speculation.


Barclays Qatar SFO charging deadline said to be moved to May  
30 March 2017

Charging decisions over Barclays Plc’s 2008 emergency fund-raising from Qatar may not come before May after the UK Serious Fraud Office wrote to targets extending the deadline, according to two people with knowledge of the situation. The SFO sent letters to several former Barclays executives in the last week informing them it will make a decision on whether to file charges by the end of May, according to the people, who didn’t want to be identified because the letters are private. The SFO previously told a London court it would make a decision by the end of March. The five-year-old investigation is into two “advisory services agreements” worth £322 million ($401 million) that Barclays committed to pay the
Qatar Investment Authority during the 2008 financial crisis. The pacts came around the same time the sovereign wealth fund joined a two-stage £12 billion fund-raising to help the bank avoid a state bailout, raising concerns about the services agreements. There are also questions around whether the bank loaned $3 billion to Qatar to help fund the share purchase.

At least eight former executives have been interviewed under caution by the SFO in the probe including former Chief Executive Officer John Varley, ex-Chief Financial Officer Chris Lucas and former chairman of investment banking for the Middle East Roger Jenkins. Interviews under caution are generally conducted with possible suspects and anything said can be used in court. A spokeswoman for the SFO declined to comment, as did lawyers for the men.

http://gulfnews.com/business/companies/barclays-qatar-sfo-charging-deadline-said-to-be-moved-to-may-1.2003192

**Mubadala plans overseas investments, may also divest stakes**

30 March 2017

Abu Dhabi state-owned fund Mubadala Investment Company is lining up new overseas investments in 2017 and may also sell or reduce some of its existing stakes in companies, its chief executive said. Mubadala, which is merging with Abu Dhabi-owned International Petroleum Investment Company (Ipic), will not see any change in its strategy after the merger, which will be completed in May, Khaldoon Al Mubarak told Reuters in an interview. The company said in January the merged entity would have assets of about $125 billion.

"For 2017, we have lined up several very interesting and important investments," Al Mubarak said, adding the fund would continue to invest in traditional sectors as well as new sectors such as energy and technology. "We are not shifting focus, investment is a more broader, more descriptive word." Al Mubarak hinted that Mubadala, which recently cut its stake in Advance Micro Devices, may pare down its stakes in other companies this year. "For 2017, if we find the right opportunity to divest at the right time, we will do so. But that doesn’t change our growth trajectory and strategy," he said.

Mubadala partly owns Emirates Global Aluminium (EGA), one of the world’s top five producers, which recently invited banks to pitch for a role in its planned initial public offering, Reuters reported this month.

http://gulfnews.com/business/companies/mubadala-plans-overseas-investments-may-also-divest-stakes-1.2003274

**Iranian sovereign fund targeting healthcare, high-tech**

30 March 2017

Iranian sovereign fund IFIC is targeting investments in the healthcare and high-tech sectors in the hope of improving the lives of Iranians, Vahid Sharif, an investment manager at the fund, said. The Iran Foreign Investment Company, set up in 1997 as a holding company to manage the state’s assets and investments overseas, has around $5 billion under management, Sharif said. Revenues come from company dividends, and its mandate is to reinvest these in new opportunities abroad.

It is currently invested in 22 companies including banks, financial and credit institutions, mining and other industries. Speaking to Reuters on the sidelines of the Global Sovereign Wealth Forum in London, Sharif said IFIC was focusing on opportunities in the healthcare industry and innovative high-tech industries. "We are ready to co-invest in the high-tech industry," he said, citing potential opportunities in the car industry around navigation, reducing accidents and cutting air pollution.

Investments could be made by taking minority stakes in companies or through joint ventures. "We want to transfer knowledge to Iranians," Sharif said. Europe is a major focus for the fund, which is also working on a way to provide trade finance for...
Iranian and European companies wanting to do business with each other.

**GIC in talks over US clinical trials firm**
30 March 2017

Two buyout firms that own Pharmaceutical Product Development (PPD) are in advanced talks to sell minority stakes in the US clinical trials firm to investors that include Singapore's sovereign wealth fund GIC and Abu Dhabi Investment Authority. The sale would be at a price that would value the entire company at more than US$9 billion ($12.6 billion), including debt, said people familiar with the matter. The deal would see PPD's owners, Carlyle Group and Hellman & Friedman, continue to control the company jointly, they said.


**Bankers await Intesa’s €5.2billion loan for Rosneft buy (involving QiA)**
31 March 2017

Syndicated loan bankers are still waiting for details of a €5.2bn (4.43 billion pounds) loan that has been underwritten by Intesa Sanpaolo and finances the purchase of a 19.5% stake in Russian energy giant Rosneft, banking sources said. To syndicate the loan, Intesa will have to give banks full details of the facility to allow lenders to get internal credit approvals as Russia is still subject to economic sanctions. Sovereign wealth fund Qatar Investment Authority and oil trading company Glencore bought the stake for €10.5bn in December in one of the biggest transfers of Russian state assets into private hands since the 1990s.

QIA and Glencore provided €2.8bn and Intesa, Italy’s biggest retail bank, provided a loan for the bulk of the purchase price, Reuters reported on January 17. It remains unclear how the balance of €2.2bn was financed. Antonio Fallico, chairman of Banca Intesa Russia, told Reuters in February that it was talking to 14 banks to syndicate the loan with the aim of choosing two to three banks to take up €2.5bn-€3bn.

Intesa initially held talks with lenders after the acquisition was announced, but further details have not been forthcoming and bankers are questioning whether the deal will now be syndicated. “Intesa said they would launch the deal when the time is right – when is that?” one banker said. Intesa Sanpaolo declined to comment.

The Italian government approved the €5.2bn loan on March 20. The deal was subject to regulatory scrutiny due to the size of the loan and its potential for entanglement in EU sanctions on Russia. Rosneft, its boss Igor Sechin and Russia’s main state banks are all subject to sanctions imposed after Russia’s annexation of Crimea from Ukraine in 2014. Europe’s top court has upheld EU sanctions on Russia, including Rosneft. Intesa could chose not to syndicate the loan and keep it on its balance sheet, bankers said, adding that a fully underwritten loan of this size would be challenging for any bank to hold, given the banking industry’s constraints on capital, bankers said.

“It’s a huge amount to take and hold – I haven’t seen any fully underwritten loans like this which haven’t then gone out to syndication – banks are encouraged to do this. I thought it would be done and dusted by now,” a third banker said. Bankers contacted Intesa and parent bank IMI for more information after Fallico’s statement in February, but none has been forthcoming and lenders are wondering whether to release resources that have been reserved for the deal. “The longer they leave it, the less appetite there will be – we need to see the nuts and bolts of the deal before the heat goes out of it,” the third banker said.

Time may not be pressing for Intesa, which received a 19.5% stake in Rosneft as collateral for the loan on January 3, according to Reuters, and in February Fallico told Reuters that there was ‘no rush’ in closing the syndication.

http://www.euronews.com/2017/03/31/bankers-await-intesas-5-point-2billion-loan-for-rosneft-buy
Saudi Arabia’s Public Investment Fund will create a new investment company to target real estate, energy and tourism projects in Jordan, as it continues to expand and diversify. The Saudi-Jordanian Investment Fund Co. will start with $10 million of capital, which may rise to as much as $3 billion in the long term, the Public Investment Fund said in an emailed statement following Saudi King Salman’s visit to neighboring Jordan. The PIF will own 90 percent of the new fund, with the remainder held by a group of Jordanian companies, it said.

Saudi Arabia is trying to reduce the country’s oil dependence following the slump in crude prices since 2014, and the PIF is a key part of that plan. Deputy Crown Prince Mohammed bin Salman plans to list as much as 5 percent of the state-run oil company next year to anchor the PIF, which he wants to turn into the world’s largest sovereign wealth fund. “Our efforts include the development of a portfolio that has greater geographical diversification,” PIF Managing Director Yasir Alrumayyan said in the fund’s statement.

Qatar Chamber chairman Sheikh Khalifa bin Jassim Al Thani termed the Qatari investment abroad as “strategic”. The investments are selected and carefully planned to yield large revenues in the long term and to be income resources for the future generations, he added. Sheikh Khalifa, in the Chamber’s monthly magazine “Al-Multaqqa”, said that the economic diversification policy in Qatar is often the prominent motive in drawing up its economic plans and strategies. Qatari overseas investments policy relies on adopting investment opportunities with least risk and maximum profit.

We had successfully achieved real progress in diversifying our internal economy throughout developing small and medium industries and fostering the public-private partnerships for further investments in the local market at all fields, he noted. Great progress had been made in Qatar’s direct abroad investments led by the Qatar Investment Authority (QIA) including private sector investments covering many countries around the world.

Sheikh Khalifa assured that in spite of the current fluctuations the world economy is facing, such as the financial crisis and oil prices decline, Qatari abroad investments have become a positive sign year after year. They are increasingly expanding through new large scale deals and injecting in new vital foreign markets. Therefore, Qatari investments became now the most prominent in the international level covering an array of sectors including petrochemicals, real estate, banking, hospitality, tourism, infrastructure ...etc.

Qatar has emerged as a major player and investor, Qatari investment are now surprisingly expanding in the world’s strongest markets such as Europe, Asia and US as well, he pointed out. He referred to the “Business and Investment in Qatar” Forum that was held from March 27 to 29 in London and Birmingham with large participation of both countries businessmen, expressed the hope to it would contribute to enhancing Qatari direct investments in UK, opening new opportunities for Qatari businessmen and luring British investments to Qatar.
increase the company’s production capacity by 150% to 200,000 tonnes of aluminium slabs per annum. Bahrain Mumtalakat Holding Company’s (Mumtalakat) chief executive officer, Mahmood Alkooheji, visited the facility with GARMCO chairman Mahmood Alsoufi and acting CEO, Mohamed Essa.

GARMCO’s Essa said the facility will receive first case in July, and the company aims “to reach maximum operational capacity by November this year”. Remarking on the project’s scope, Alkooheji said: “The manufacturing sector accounts for 20% of Bahrain’s GDP and such projects will boost the kingdom’s exports. "The aluminium industry is a key area of focus for Mumtalakat as we manage our portfolio with the objective of enhancing performance and returns of our assets.”

http://www.constructionweekonline.com/article-43781-bahrain-55m-garmco-plants-construction-on-track/

India’s Jet Airways to raise funds via minority stake sale

Jet Airways plans to raise funds through a sale of a minority stake, Money Control reports, citing sources close to the deal. The Indian carrier is reportedly in talks with the Abu Dhabi Investment Authority (ADIA) and sovereign wealth funds about a deal in a bid to reduce the airline’s debt. Under its current structure, Jet Airways is 51% owned by founder and chairman Naresh Goyal and 24% by Etihad Airways (EY, Abu Dhabi Int’l). According to its 2016 annual report, Jet Airways’ minor stakeholders include Reliance Capital Trustee Co. Ltd (4.05%), Parvest Equity India (2.27%), Life Insurance Corporation Of India (2.07%), Birla Sun Life Trustee Company Private Limited (1.24%), Citigroup Global Markets Mauritius Private Limited (0.86%), and Merrill Lynch Capital Markets España S.A. S.V. (0.74%). For the quarter ended December 31, 2016, Jet Airways saw a net profit of INR1.42 billion (USD21.5 million) down from INR4.7 billion (USD72.4 million) in the same period the year before.


ADIA restructures private equity as it seeks more collaboration with GPs

Abu Dhabi Investment Authority, one of the most active private equity investors among sovereign funds, is consolidating its private investment team away from separate product groups, a spokesman for ADIA confirmed for Buyouts.


Qatar Investment Authority sells stake in Santander Brasil worth $737m

Qatar Investment Authority sold about 2.5 per cent of Banco Santander Brasil SA for 2.3bn reais ($737m) in a restricted offering after banks exercised an option to buy extra units, the bank said. Investors paid 25 reais each for the 80 million units initially offered, a blend of Santander Brasil’s common and preferred shares, as well as for the extra allotment of 12 million units, the bank said in a statement to the Brazilian market regulator.

QIA and banks underwriting the deal had suggested a price of 27 reais per unit, three people with direct knowledge of the deal said, but investors baulked at the price and pushed for a lower level. Investors placed bids worth 2.5 times to three times the amount of units in Brazil’s fourth biggest bank on offer, the sources said.

The deal was the latest equity follow-on offering in Brazil this year, underscoring how government efforts to cut spending and pull the economy out of a three-year recession have rekindled investor confidence. Companies have raised more than 10.5bn reais through share offerings this year, a two-year high.

QIA took advantage of an 18-month rally that doubled the price of Santander Brasil’s units to cash out after seven years as the second biggest shareholder in the Brazilian unit of Spain’s Banco Santander SA.
The transaction, known as a public offering with restricted efforts, differs from standard equity offerings in that QIA did not have to request registration of the plan with securities watchdog CVM. Only qualified investors could participate, and the deal could not be marketed through road shows or the media.


Israel Gas discoveries - no effect on SWF
6 April 2017

In its review, Merrill Lynch devotes a great deal of attention to the effect of the natural gas discoveries on the exchange rate. The investment bank believes that the transition from imported energy to local gas has saved the economy $11 billion since 2013 (when gas began flowing to the shore from Tamar), but that this had no real effect on the exchange rate, because of the Bank of Israel’s purchases of dollars. Merrill Lynch notes that a deal was recently signed to export $10 billion of natural gas to Jordan, while each $1 billion of exported gas causes a 0.8% appreciation in the shekel.

Merrill Lynch believes that the Bank of Israel is in no hurry to establish a Sovereign Wealth Fund - the real solution to Israeli gas exports. The investment bank also says that gas is only one of the factors creating appreciation pressure on the shekel, citing the flow of direct investments and the anticipated addition of Israeli government bonds to the World Government Bond Index (WGBI) as other factors likely to strengthen the Israeli currency.


Indonesia seeks $10b in investments from UAE
6 April 2017

Indonesia is targeting $10 billion (Dh36.7 billion) investments from the UAE in a wide range of sectors including oil and gas, hospitality and power generation, the country’s ambassador, Husin Bagis, told Gulf News in an interview. Currently a number of UAE-based companies are investing in Indonesia including Mubadala Petroleum, Lulu Group, DP World and Dubai Islamic Bank. The total investments from the UAE are around $2 billion with Mubadala and Lulu Group investing about $500 million each in oil and gas and retail sectors respectively.

Mubadala Petroleum is developing the Ruby gasfield in Makassar in partnership with Total and Inpex South Makassar Limited whereas Lulu group is setting up hypermarkets and cold storage facilities. There are also other investments from the UAE in agriculture, hospitality, transportation, telecommunication, food, mining and textile industries.

“Indonesia with a healthy growth rate of more than five per cent per annum offers plenty of opportunities for UAE-based companies to invest. We are in talks with large companies like Mubadala, Dubai Holdings, Masdar, Abu Dhabi Terminals, NMC group as well as small firms to boost investments from the UAE. Our target is $10 billion this year,” said Bagis.

“Qatar is investing quite heavily in Indonesia, and Saudi Arabia signed deals worth more than $9 billion recently. We would like to see investments from the UAE to grow to $10 billion from the present figure of $2 billion,” he said.


Saudi Arabia to build Entertainment City south of Riyadh
8 April 2017

Saudi Arabia announced plans to build a 334-square-kilometre “entertainment city” south of the capital Riyadh, to feature sports, cultural and recreational facilities including a safari and a Six Flags theme park. The kingdom’s Public Investment Fund, the country’s main sovereign wealth fund, will be the main investor in the
project, which will break ground in 2018 and open in 2022, according to a statement by deputy crown prince Mohammed bin Salman carried by state news agency SPA. Other local and international investors will also provide capital, the statement said, without elaborating on the size of the investment.

US-based Six Flags announced in June that it had begun talks with the Saudi government to build theme parks as part of Saudi Arabia’s Vision 2030 efforts to expand its entertainment sector and diversify the economy. Chief executive Jim Reid-Anderson said later in the year that the company aimed to build three parks in Saudi Arabia, with each costing between US$300 million and $500m.

First purchased in October 2014, in line with Mumtalakat’s investment strategy, PRO Unlimited has continued to grow with an expanded international presence. In the time since, its net revenues have increased by over 40% and its Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) have almost doubled. Today’s agreement allows Mumtalakat to continue to have a significant minority stake, alongside Investcorp, and partner with the new majority private equity owners of PRO Unlimited, Harvest Partners.

Founded in 1991, PRO Unlimited delivers a full range of services to address procurement, management and compliance issues related to contingent workers, including independent contractors, consultants, temps and freelancers. PRO operates in 52 countries and provides services to some of the world’s largest and most prestigious companies through its integrated, vendor-neutral software and services platform.

As the investment arm of the Kingdom of Bahrain, Mumtalakat seeks strategic, responsible, commercially-driven investments in line with its long term objective of enhancing the value of its portfolio for the benefit of the people of Bahrain.
investor call on April 10, the bankers said. The deal is expected to price as early as April 11. Mubadala is merging with Abu Dhabi-owned International Petroleum Investment Company (IPIC). It said last January that the merged entity will have assets of about $125 billion.

https://www.zawya.com/mena/en/story/UAEs_Mubadala_expected_to_raise_over_1billion_with_dualtranche_bond_sources-TR20170409nL8N1HH0FHX2/

Mumtalakat establishes auction company
9 April 2017

Mahmood Hashim AlKooheji, the CEO of Bahrain’s investment arm Mumtalakat, announced the launch of “Mazad”, a new company responsible for conducting and organising auctions in collaboration with internationally renowned auction houses. Mumtalakat’s CEO also announced that Mazad, which will soon conduct the Kingdom’s first private vehicle number plates auction, would be led by Talal Arif AlAraifi as CEO. The establishment of “Mazad” aims to introduce new and innovative mechanisms to facilitate market growth, competition, and efficiency.

Mahmood Hashim AlKooheji highlighted that private vehicle number plates have been growing in popularity in Bahrain, adding that Mazad’s first auction underscores Bahrain’s commitment to encouraging transparency, fairness and competitiveness across key sectors.


Ratings on Saudi Arabia Affirmed At ‘A-/A-2’; Outlook Stable
9 April 2017

S&P expects Saudi Arabia’s external and government balance sheet positions will remain strong over 2017-2020. The ratings agency has affirmed its ‘A-/A-2’ foreign and local currency sovereign ratings on Saudi Arabia. The stable outlook is based on S&P’s expectation that the Saudi authorities will take steps to consolidate public finances and achieve a net general government asset position above 80 per cent of GDP over the next two years, in line with current expectations.

RATIONALE
The ratings on Saudi Arabia are supported by its strong external and fiscal stock positions, which are expected to be maintained despite significant central government deficits. The ratings are constrained by weak economic growth, limited public sector transparency, and constrained monetary policy flexibility.

It is likely that the central government deficit will average about seven per cent of GDP in 2017-2019, after peaking at 17 per cent in 2016, up from 15 per cent one year previously. The widening of the deficit in 2016 was largely a result of payment of government arrears to private-sector companies, amounting to about four per cent of GDP, approximately $28 billion.

The government has announced its 2017 budget, with a targeted deficit of about eight per cent of GDP, alongside a goal of achieving a balanced budget by the end of the decade under the Fiscal Balance programme 2020. A central government deficit of about nine per cent of GDP in 2017 is expected, narrowing to four per cent by 2020.

S&P largely based its more conservative view of the government’s fiscal consolidation prospects on our oil price assumptions, which are broadly flat over our forecast period through year-end 2020. The agency also factored in its expectation that Saudi Arabia’s oil production will remain at around current levels of 10 million barrels per day (bpd) in order to shore up prices, in line with OPEC’s decision in late 2016. An additional two per cent of GDP in government revenues starting in 2019 was also factored in, due to the expected introduction of a five per cent value-added tax in 2018.
S&P’s forecast for the annual change in net general government debt, the agency’s preferred fiscal metric because in most cases it is more comprehensive than the reported headline deficit, is for an average increase of about two per cent of GDP.

In Saudi Arabia’s case, the change in general government debt is lower than the central government deficit as it is likely that the deficit is financed 30 percent by asset draw-downs and 70 percent by debt issuance. Such a split implies that Saudi Arabia would report gross liquid financial assets of 104 per cent of GDP by 2020. These fiscal assets include the central government’s deposits and reserves on the liabilities side of the balance sheet of the Saudi Arabia Monetary Authority (SAMA), government institutions’ deposits, and an estimate of investment income. An estimate of government pension funds’ liquid assets was also included in S&P’s calculation.

Although Saudi Arabia’s fiscal profile has weakened on a flow basis, it is believed to have remained strong on a stock basis. Net general government assets—that is, the excess of liquid fiscal financial assets over government debt—peaked at 123 per cent of GDP in 2015. This was partly due to the estimated 14 per cent decline in nominal GDP. Government liquid assets fell by about 10 per cent of GDP in 2016 according to estimates; this was largely related to a transfer of assets to the Public Investment Fund. However, absent disclosure on whether or not these assets remain liquid, and they were excluded from estimates. It is forecasted that the Government’s net asset position could decrease to 77 per cent of GDP in 2020. It is believed that Saudi Arabia is facing a period of adverse terms of trade from a strong position.

S&P could raise the ratings if Saudi Arabia’s economic growth prospects improved markedly beyond current assumptions.

Abu Dhabi’s Mubadala Raises $1.5 Billion Ahead of IPIC Merger

11 April 2017

Mubadala Development Co., the Abu Dhabi sovereign wealth fund merging with International Petroleum Investment Co., raised $1.5 billion through a dual-tranche bond after receiving almost four times that amount in bids, people familiar with the matter said.

The company on Tuesday sold $850 million in seven-year debt at 100 basis points over mid-swaps and $650 million in the 12-year tranche at 140 basis points over mid-swaps, the people said, asking not to be identified because the information is private. The sale received orders of about $5.7 billion, they said.

The merged entity, which will be known as Mubadala Investment Co., will have combined assets of $125 billion. It will start operations in May with four divisions focusing on the emirate’s interests in energy, infrastructure, technology and aerospace. Mubadala said in March that its 2016 net income almost tripled to 3.32 billion dirhams ($900 million), boosted by investments in "strategic sectors."

Barclays Plc, HSBC Bank Plc, Natixis SA, National Bank of Abu Dhabi, SMBC Nikko and Standard Chartered were joint lead managers and bookrunners for Mubadala’s bond sale.


Global sovereign fund assets ‘stall at $6.59 trillion’

17 April 2017

Sovereign wealth fund assets all but stalled at $6.59 trillion in the year to March 2017 due to a combination of weak markets, low oil prices and shifts in government policy, a report from research provider Preqin showed. Total assets under management have levelled off in the last two years, with growth of just 3 percent in 2015 and 1 percent in 2016, when assets stood at $6.51 trillion. This is
in contrast to previous years, when SWF assets grew by 17 percent between December 2011 and December 2012, and by a further 16 percent the following year, Preqin said in a report.

"Macroeconomic headwinds, low oil prices, and shifts in domestic and economic policy from their governments have all contributed to this tapering off," said Selina Sy, editor of the 2017 Preqin Sovereign Wealth Fund Review. Some oil-backed funds have reined in spending as their governments have used them to close budget gaps. Oil prices are currently around $56 a barrel, a long way off the highs of $115 touched in June 2015.

In another sign of belt-tightening, SWFs pulled $37.8 billion from global stock and bond markets in 2016, according to separate data from research firm eVestment. However, hydrocarbon-backed SWFs grew by $60 billion in the 12 months to March 2017, Preqin said, suggesting the worst of the selling may be over. In fact, only 29 percent of SWFs suffered a decline in assets in the last 12 months, versus 36 percent in the previous year. A slim majority of 51 percent saw their assets increase in the year to March 2017, with SWFs funded by non-hydrocarbon commodities growing by $10 billion, as did those funded by non-commodity sources.

The investor class remains dominated by a handful of heavyweights with the 10 largest funds collectively holding $5.2 trillion — 79 percent of the whole. They include Norway’s $915 billion fund, the world’s biggest, and the China Investment Corporation, with $800 billion under management. At the other end of the scale, 45 percent of SWFs hold less than $10 billion.

The sector continues to evolve, with Abu Dhabi creating a $125 billion fund by merging Mubadala Development Company and International Petroleum Investment Company. Some smaller SWFs, such as the Turkey Wealth Fund, have also launched. The proportion of SWFs investing in alternatives has grown, with 61 percent allocating to private equity, a record high, and 63 percent to real estate. Some 63 percent of SWFs were also invested in infrastructure, liked for its ability to deliver steady, visible cashflows over the long term.—Reuters
http://pakobserver.net/global-sovereign-fund-assets-stall-6-59-trillion/

Russian Direct Investment Fund, Saudi Sovereign Fund to Launch $3Bln Projects
17 April 2017

The Russian Direct Investment Fund and the Saudi Arabian sovereign wealth fund will launch joint projects worth $3 billion before the end of this year, Speaker of the Federation Council, the upper house of Russia’s parliament, Valentina Matviyenko said. “The Russian Direct Investment Fund and the the Saudi Arabian sovereign wealth fund are cooperating successfully. Thanks to them, projects worth some $600 million have been implemented. Before the end of the year, projects worth $3 billion should be launched,” she said.

One of the world’s largest SWFs has quietly been hiring London finance professionals
17 April 2017

Researchers, strategists and economists working for large investment banks in the City need new options. This might be working in investor relations, escaping to the buy-side or trying to secure a place at an independent research firm. Nishay Patel, a former director and rates strategist at UBS’s investment bank in London, has just moved to the Middle East to join the sovereign wealth fund (SWF) Abu Dhabi Investment Authority (ADIA) as a fixed income strategist in the UAE. Patel has spent the entirety of his investment banking career in London, having joined Citi in September 2008. He spent nearly seven years at the U.S. bank before moving to UBS in May 2014, but he moved to the new role at ADIA earlier this month.
SWFs in the Middle East have long viewed London as a deep talent pool to fish from, and ADIA – which has 1,700 employees globally – has been targeting senior figures in the City in recent months. In January it hired André Méthot, who worked as a senior vice president in quantitative research at PIMCO in London as a research manager focused on portfolio construction in its strategy unit. Dale Brooksbank, who was head of trading for EMEA at State Street Global Advisors in the City arrived in February as head of equities trading. Mike Vessey, who was head of data governance at RBC Capital Markets in the UK, moved to Abu Dhabi to take the same role at ADIA, also in February.

ADIA has been hiring for a range of roles, but it’s the options available to under-fire researchers and strategists that are arguably the most interesting. ADIA has long claimed to be the biggest employer of CFA charterholders in the Middle East. This is in part because it has so many people working in direct investments as well as portfolio managers, but it’s also been building in research and strategy. The biggest proportion of ADIA’s equity investments (50%) follow index-tracking strategies, but this division is underpinned by a large research team. What’s more, its internal equities team indexed funds department undertakes the majority of its equities investments, and is underpinned by a research team. Its internal equities team, an active management division which invests in stocks across the world, employs a large research team undertaking bottom-up fundamental research that would usually be found in a large fund manager or hedge fund.

Xiaowei Kang, who was previously co-head of equity research at S&P Global in London, leads ADIA’s research team for the indexed funds department, while Christof Rühl, formerly the chief economist for BP, is the global head of research at the SWF. ADIA said in its latest annual report published in July last year that research roles had been a key focus for it. 

**Arab and Middle-Eastern funds awaiting opportunities in Italian hotels**

17 April 2017

Years have passed since the Emir of Qatar disembarked with his entire court in Cernobbio on Lake Como with the idea of acquiring Villa d’Este, which was shielded however by the owners so that the hotel - among the most famous in the world - could not be sold.

Hotels have been the starting point for Middle-Eastern sovereign funds and private investors who are seeking to buy up luxury real estate in Italy, in general as trophy assets. And still today it is in the hotel segment where shopping continues, offering big potential in a country like Italy where almost 90% of buildings are in the hands of private families.

But finding hotels for sale is not easy. Interest remains focused on Rome and Milan, but chances for purchases in the luxury segment are running low. Therefore, assessments are now being made of some developments and re-conversions of valuable sites.

So far this year there is unlikely to be Arab and Middle Eastern capital among real estate investments, which should amount to between €1.8 billion-2 billion in the first quarter, clearly higher compared to the same period of last year. The market is focusing on the value-added segment, which is among the least interesting for this category of investor.

Returning to hotels, the last transaction dates back to June 2016, with the sale on the part of Starwood Hotels & Resorts of two hotels in Florence, St. Regis and The Westin Excelsior, to Nozul Hotels & Resorts, already owner of the Gritti Palace in Venice and W Doha, also bought from Starwood. The purchaser is a company entirely controlled by the Qatari Jaidah Holdings, a private company, and the transaction amounted to €190 million.

Qatar’s sovereign fund has also been very active (Qia, Qatar Investment Authority), which also operates through the Katara Hospitality holding
dedicated to the sector. In total, €1.5 billion of investments have come from the Middle East in the hotel sector alone. The Qatar sovereign wealth fund, owner of luxury hotels on the Costa Smeralda and the Four Seasons in Florence, has grown fond of Italy and has shifted its sights to the offices sector. The place of choice is Milan, where in two rounds it has acquired the entire complex of Porta Nuova, developed by Hines, and the Credit Suisse offices in via Santa Margherita for about €115 million.

Coima Sgr, which does investment scouting for several Middle Eastern sovereign funds, purchased social security agency INPS’s former building at via Melchiorre Gioia for Adia, according to industry sources, which is undergoing redevelopment. It is also still participating on behalf of an Arab buyer in the competition for Edison’s offices. Adia also took part in the contest for Palazzo Broggi, the former UniCredit office that ended up in the portfolio of China’s Fosun and recently returned under the management of Idea Fimit.

But the most impressive investment is that of the Saudi Fawaz brothers, owners of the Alhokair group (leaders in shopping centers) which have chosen to invest €2 billion gradually in the Milanosesto project. At the moment, they have 14% of the joint venture with Bizzi & Partners and will increase this to 25% soon to reach 50% within a year and a half. The Al Fawaz brothers have also invested in the Cascina Merlata shopping center.

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$40bn oil revenues to enter NDFI
17 April 2017

Iranian president Hassan Rouhani said, despite low oil prices and economic pressures, the government will deposit 40 billion dollars of oil revenues in the National Development Fund of Iran (NDFI). Speaking at inauguration ceremony of four petrochemical projects in Pars Special Economic Zone on Sunday, Iranian President Hassan Rouhani said high bank interests proved an obstacle to investment and, before the issue is resolved, foreign finance and resources of NDFI need to be put on the agenda.

Duterte’s ME visit yields $925-M investments
17 April 2017

Philippines President Duterte’s visit to the Middle East over the past week has yielded total investments worth $925 million, which is expected to generate 26,000 new jobs for Filipinos, the country’s trade chief said.

Apart from the investment commitments, the Philippines is also set to sign an Investment Promotion and Protection Agreement (IPPA) with Qatar to facilitate a $1 billion investment facility from Qatar’s sovereign wealth fund which will be used for developmental projects such as agriculture and infrastructure projects in Mindanao.

“On the IPPA we will sign with Qatar, it will basically provide internationally recognized investors rights and safeguards,” Trade Secretary Ramon Lopez, who was part of the President’s delegation, said in a mobile message yesterday.

“All in all, Lopez said the Middle East visit allowed the country to enhance bilateral cooperation with Saudi Arabia, Bahrain, and Qatar through more trade and investments.

The biggest amount of investment commitments signed came from Saudi Arabia at a total value of $469 million.

The seven projects are in the fields of pharmaceuticals, property development, medical tourism, ports and warehouses, fine dining chains, agri-industrial economic zones, and Halal food processing zones.
In Bahrain, a $250 million memorandum of understanding has been signed for the expansion of a 500-hectare banana plantation in Sarangani. A total of 13 projects, meanwhile, were signed in Qatar for the total amount of $206 million.  
http://www.philstar.com/business/2017/04/17/1690910/ d utertes-me-visit-yields-925-m-investments

Saudi Wealth Fund to Get Airports in Privatization Push  
18 April 2017

Saudi Arabia will transfer airports to its sovereign wealth fund by mid-2018, as part of a nationwide privatization drive spurred by low oil prices. Airports will be turned into companies before being handed over to the Public Investment Fund, to help improve accountability, Faisal Al-Sugair, chairman of Saudi Civil Aviation Holding Co., said in a phone interview.

The transfer will also boost oversight as the General Authority of Civil Authority will no longer be both an operator and regulator, he said. The kingdom aims to win investment in airports as its seeks to revive an aviation industry that’s been dwarfed by competitors in nearby Dubai and Qatar. It’s also looking at privatizing seaports as depressed crude prices weigh on state spending plans.

The wealth fund will take over Saudi Civil Aviation Holding, which will act as an umbrella company for the airport operators, Al-Sugair said. The holding company will be worth “billions of dollars,” he said. The kingdom also has plans to transfer ownership of oil giant Saudi Arabian Oil Co. and proceeds from that company’s initial public offering to the fund.

Airport stakes will be sold off when the operating companies have become stabilized, which could be before they are handed over to the wealth fund, Al-Sugair said. A variety of privatization options are under consideration, including initial public offerings and private stake sales, he said. Different airports may be sold in different ways, and the government is yet to decide what stakes it will retain, he said. PricewaterhouseCoopers and Ernst & Young are advising on the sale process and on turning operators into companies.

The eventual sales may be hampered by “a very bearish market,” Al-Sugair said. “I wouldn’t be surprised if you get less interest -- if you don’t get very good bids because of the situation in the market,” he said. That could lead to sales being re-tendered or postponed, he said.  

Public funds protection panel to refer three files to prosecution  
18 April 2017

Member of the Parliamentary Committee for Public Funds Protection MP Khalid Al-Shatti disclosed the committee agreed during its meeting to refer three files to the Public Prosecution. The files in question included a deal signed by Kuwait Oil Company and Shell Petroleum, in addition to the sale of Kuwait Driving Training Company and Agricultural Products Company by Kuwait Investment Authority (KIA).

The committee said the authority should not have sold such profitable companies. It decided to refer the cases after establishing serious law violations and the authority persisted on going ahead with the deal under the guise of privatization to cover budget deficit.

Sources noted the committee referred the files to prosecution and authorized investigation of officials whose names were mentioned as active players in the deals. He declared the government had earlier informed the committee during several meetings of its plan to go ahead with the sale of some companies it invested over 50 percent capital publicly, against the recommendation of Parliament.  
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**Mubadala Real Estate unveils Arzanah project in Abu Dhabi**

18 April 2017

Mubadala Real Estate and Infrastructure unveiled the master plan for Arzanah, a new community development near Zayed Sports City in Abu Dhabi. The 1.9 million square meter development will include residential, retail, hotels, education, sports, and health care offerings, and will be located at the gateway point to the Capital, a top executive of Mubadala said. The total investment in the project is not known. From a retail perspective, the plan include a 316,918 square meter indoor shopping Centre, which will house a bowling alley and ice rink, and other family-focused entertainment elements.

The company has recently announced an agreement with Eshraq Properties to explore partnership in developing plots owned by Mubadala on Al Maryah Island and by Eshraq Properties on Al Reem Island. Mubadala Real Estate and Infrastructure is a real estate arm of Mubadala Development Company which is being merged with International Petroleum Investment Company.


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**Abu Dhabi’s Taqa seeking to sell energy assets in North America**

19 April 2017

Abu Dhabi National Energy Co., the government-run company known as Taqa, is generating cash from overseas oil and natural gas operations and wants to sell some higher-cost wells in North America after reporting a record $5.2 billion loss last year. After a two-year program to cut costs, Taqa’s oil and gas businesses in North America and Europe are “cash-flow positive,” Saeed Hamad Al Dhaheri, acting chief operating officer, said in an emailed response to questions. Taqa plans to invest more in the hydrocarbon business in Alberta, he said.

Taqa has written off assets, sold businesses and cut jobs and spending after losing money due to...
acquisitions and lower crude prices over the past two years. The company earlier this month reported a loss of 19 billion dirhams ($5.2 billion) on one-time impairments for 2016. It lost $490 million the previous year. Taqa currently has a market capitalization of $1.25 billion.

Abu Dhabi, with about six per cent of the world’s crude reserves, is merging government-owned companies to cut costs and help weather the slide in oil prices from more than US$115 a barrel in 2014. The capital of the United Arab Emirates has combined its largest banks as well as two sovereign investment funds. Benchmark Brent crude now trades at about US$55 a barrel. The company, with power plants in Abu Dhabi, gas fields in Canada and a project pumping oil in northern Iraq, pared costs by $1.2 billion over the past two years and reduced capital spending by almost double that amount, Al Dhaheri said at the annual meeting.


Islamic Development Bank plans to buy stake in Borsa Istanbul
19 April 2017

The Saudi-based Islamic Development Bank (IDB) plans to take at least a 10 percent stake in Turkey’s state-run stock exchange as the multilateral lender ramps up activities in the country, a senior official of the bank told Reuters.

IDB expects to finalize negotiations with Borsa Istanbul in two to three months as part of wider efforts to develop Islamic finance in Turkey, said Abdulhakim Elwaer, IDB’s director of cooperation and resource mobilization.

Equity investments are rare for the AAA-rated IDB, which focuses primarily on extending trade financing and grants across its 57 member countries, but Turkey is seen as a key market to expand the reach of Islamic finance. “The larger picture is IDB’s cooperation with Turkey, this is only one engagement. We want to help develop Turkey as a global Islamic financial center,” Elwaer told Reuters.

IDB and Borsa Istanbul signed a cooperation agreement in November, with discussions currently ongoing to decide on a specific size and time frame for the stake, he added. The bourse has a share capital of 423 million lira ($115.6 million), implying a value of 42.3 million lira for a 10 percent stake.

The exchange is majority-owned by the Turkish government via its sovereign wealth fund, but also includes a 10 percent stake from the European Bank for Reconstruction and Development and a 7 percent stake from NASDAQ. Borsa was created in 2013 after the merger of the Istanbul Stock Exchange, Gold Exchange and Derivatives Exchange, ahead of plans for an initial public offering.

The proposed stake follows an increase in IDB activity after it opened a dedicated office in Ankara, with Turkey now the fourth-largest recipient of IDB financing. The IDB has approved over $10 billion in financing to Turkey since 1977, with around a third arriving in the past two years. It extended financing worth $1.5 billion in 2016 and $1.4 billion in 2015, mostly in the financial and transportation sectors. This included a $270 million financing for Turkey’s Eximbank and a $300 million financing for a sharia compliant bank dedicated to Islamic endowments, Vakıf Katılım Bankası.

The IDB has also listed its Islamic bonds (sukuk) in Borsa Istanbul and plans to jointly develop similar tools for infrastructure financing in Turkey, said Elwaer.
Borsa İstanbul A.Ş.’s shares corresponding to 73.6 percent of its capital, owned by the Treasury of the Republic of Turkey, have been transferred to the Türkiye Wealth Fund in a decision taken by the Council of Ministers.

The Islamic Development Bank is an international Islamic financial institution established in accordance with the Articles of Agreement done at the city of Jeddah. The purpose of the bank is to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of Islamic Law.


Green energy firms explore portfolio mergers to aid sell-off
19 April 2017

India’s clean energy project developers are in talks to merge their portfolios as part of a strategy to achieve scale for selling the assets to overseas investors scouting for large investment opportunities in the country. A case in point is Ravi Jhunjhunwala’s LNJ Bhilwara Group, which is in talks with rivals to merge its wind energy portfolio.

Another company following this strategy is Continuum Wind Energy Pte Ltd.

There has been a host of investors such as Australian Government Future Fund, Investment Corporation of Dubai, Singapore’s GIC Pte Ltd, Abu Dhabi Investment Authority and Abu Dhabi’s Mubadala Development Co. looking to invest in the Indian infrastructure space in sectors such as clean energy.

Wind power tariffs have followed the solar route and fell to a record low of Rs3.46 per kilowatt hour (kWh) in a 1 gigawatt (GW) tender by state-run Solar Energy Corp. of India in February. India plans to install 175GW of renewable power by 2022, of which 100GW will be from solar power and 60GW from wind power.


Mubadala Capital takes on first third-party assets in private equity deal with Ardian
21 April 2017

Mubadala Capital, the investment unit of sovereign wealth fund Mubadala Development Co., Abu Dhabi, will for the first time manage third-party assets following a deal with French private equity firm Ardian. The deal, which was completed...
March 31, involved a $2.5 billion commitment by Ardian in a secondary/primary structure, said a joint news release.

The secondary part of the deal sees Ardian acquire a majority stake in an existing Mubadala Capital-managed private equity portfolio. This comprises an existing $2.5 billion private equity portfolio of assets owned and managed by the firm, which consists of 14 limited partners interests — predominantly North American buyout and growth funds — and 14 direct investments. These direct investments include a number of co-investments alongside general partners.

The primary component involves the establishment of a $1.5 billion private equity fund by Mubadala Capital, in which Ardian is the lead investor. The fund has equal primary capital commitments from Mubadala Capital and Ardian. The strategy involves an integrated approach to making direct investments, co-investments and fund commitments, primarily in North America and Europe. It focuses on best-in-class management and investment teams across sectors including sports, media, entertainment, consumer food, energy infrastructure and others. Ardian’s investments are being made through Ardian Secondary Fund VII, a spokeswoman said.

“Managing funds on behalf of third-party investors is both an endorsement of our strong investment track record and part of a longer term strategy to further institutionalize the Mubadala Capital platform,” said Waleed Al Mokarrab Al Muhairi, deputy group CEO and CEO of the emerging sectors platform at Mubadala Development Co., in the release. The sovereign wealth fund has $67.6 billion in assets.

The release said Mubadala Capital, which was established in 2011, may take on third-party capital for other areas of the business in future.


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private debt at Ardian, said in the same release that the deal represents one of Ardian's largest with a sovereign wealth fund.

The release said Mubadala Capital, which was established in 2011, may take on third-party capital for other areas of the business in future.


Ithra Dubai starts work on two landmark projects
23 April 2017

Ithra Dubai, a real estate developer and asset manager, said work has started on two of its landmark projects in Dubai, UAE - One Za'abeel and Deira Enrichment Project. A wholly-owned company of Investment Corporation of Dubai (ICD), Ithra Dubai was established to develop real estate projects that will serve Dubai’s diversity through enriching the city’s offering and supporting the needs of its social fabric in all its threads.

Mohammed Ibrahim Al Shaibani, the chairman of Ithra Dubai and executive director and chief executive of ICD, said the importance of the real estate sector in Dubai, now warrants strategic attention and specialised focus. "Consequently, Ithra Dubai stems from ICD’s continued commitment to social and economic development on adding value to the sustainable growth of Dubai’s real estate sector. We continue to provide strategic oversight to support Ithra Dubai fulfil its promise to build strategic sectors that enrich societies and economies," noted Al Shaibani.


Riyadh’s new financial hub struggles with ownership uncertainty
25 April 2017

A glitzy $10 billion financial district in Riyadh hopes to open its first phase for business this year but is struggling with red tape and uncertainty about its ownership, showing the challenges facing Saudi Arabia’s economic reforms. The plan to build the King Abdullah Financial District (KAFD) began in 2006, but the project has been plagued by construction delays, cost overruns and doubts about finding enough tenants.

The government said in 2016 it would rescue the project as part of efforts to diversify the oil-reliant economy. It said it would transform the district into a special business zone with competitive regulations, financial incentives and visa exemptions for foreigners working there.

The plan included transferring control to the kingdom’s sovereign wealth fund, the Public Investment Fund (PIF), an idea since abandoned. Salman Albaiz, a director at the project, said this week about a fifth of the 1.6 million square meter (17.2 million square foot) site, including a sleek conference center and a modern white mosque, was now complete. "The first phase we intend to open – if things go well with the government – in June or July," Albaiz told Reuters during a tour of KAFD. "That will be a soft opening for the district."

But he said the first phase was still awaiting additional government approvals before the opening. "We keep stumbling upon red tape and government procedures in decision-making," he said.

Opening KAFD would be a milestone for an economic reform program launched last year by Deputy Crown Prince Mohammed bin Salman. The district boasts energy-efficient, glass skyscrapers that contrast with drab architecture in most of Riyadh. A walkway designed to resemble a dry “wadi” riverbed will be lined with restaurants and shops.

It could also help to change how business is regulated in Saudi Arabia. Albaiz said it would resemble Dubai International Financial Centre, which attracted foreign firms with its own regulatory regime.

In theory, businesses registered at KAFD would be able to issue visas directly and obtain licenses from a dedicated authority.
KAFD, with capacity to house 50,000 residents, could become a home to the foreign business community. Saudi Arabia’s strict social code, requiring women to wear dark, loose robes and restrictions on the mixing of unrelated men and women, would be relaxed, Albaiz said.

The PIF, Saudi Arabia’s Samba Financial Group and international consultants PwC have already committed to becoming tenants, he said. But authorities have yet to finalize the “special zone” rules, making it difficult to draw more firms.

Uncertainty about KAFD’s ownership also needs resolving. In 2015, the PIF signed a preliminary agreement for the purchase of KAFD from its current owner, the Saudi Public Pension Agency.

But the two parties have let that deal expire, said Albaiz. In response, the government has set up a ministerial committee to find tenants, he said. But authorities have yet to finalize the “special zone” rules, making it difficult to draw more firms.

For now, Albaiz aims to operate what is ready. The first phase of KAFD could bring annual revenues of 240 million riyals ($64 million), rising to 3.5 billion riyals once the whole project is complete, he said. Albaiz said the entire project was 80 to 90 percent complete and a further 8 billion to 10 billion riyals would be needed to finish it, on top of about 30 billion riyals already spent. “The whole project is almost done. This is what’s so sad about it,” he said. “It’s like building the whole thing and you just have not built the windows and the doors.”

Credit Suisse, Qatar JV Hires Third Doha CEO in Five Years
25 April 2017

Credit Suisse Group AG’s joint venture with Qatar Investment Authority has appointed its third chief executive officer for its Doha subsidiary in five years as the money manager struggles to grow its assets. Aventicum Capital Management Qatar LLC named Francois Jansen van Rensburg as CEO in January, replacing Habib Oueijan who resigned that month, the firm said in response to questions from Bloomberg. Van Rensburg was already the company’s chief operating officer and will stay on in that role, reporting to Aladdin Hangari, group CEO of Aventicum Capital Management Holding, the company said.

Asset managers in the Middle East have been hurt by institutional clients choosing to direct their own investments or put money with foreign firms. Doha-based Aventicum manages about $350 million -- only slightly higher than the $300 million target it planned to run in 2013.

Reconstructing Saudi Arabia
26 April 2017

The highly anticipated, blockbuster initial public offering of Saudi Aramco, the world’s largest energy company, is just the beginning. Riyadh has a whole wave of privatizations in the pipeline as the kingdom moves to diversify its economy away from its reliance on oil.

“We have prepared a long list,” Mohammed Al-Jadaan, Saudi Arabia’s finance minister, told Handelsblatt in an interview. “These include energy companies, electricity and water, health care, sports clubs, mining companies, real estate companies ... and renewable energy companies, where we have launched a €47 billion ($50 billion) program.”
It is all part of the monarchy’s plan to put the kingdom on a sound and sustainable financial footing by insulating its economy from the vagaries of the oil market. The collapse in the price of oil, the kingdom’s main source of revenue, blew $98-billion hole in Saudi Arabia’s budget in 2015. “We do not need big loans. Our budgetary deficit will amount to about €44 billion. To cover this, we can tap the domestic and international capital markets and take money from our state reserves.”

As a result, Riyadh started burning through its massive cash reserves, which declined from $723 billion to $562 billion since 2014. Analysts started making dire predictions that the kingdom would go bankrupt if Riyadh did not make major changes.

Mr. al-Jadaan took over the reigns of Saudi Arabia’s finance ministry last year during the height of the fiscal crisis. Since then, Riyadh has managed to shrink its deficit to $79 billion by slashing spending on infrastructure and cutting benefits for civil servants. In the wake of the cuts, economic growth slowed to 1.4 percent, far below the average of around 4 percent over the past decade.

Despite Saudi Arabia’s fiscal problems, capital markets gave the kingdom a vote of confidence last year when Riyadh issued the largest bond ever by an emerging market, raising $17 billion in the process. Mr. al-Jadaan said Saudi has no plans to approach markets with a bond of similar size in 2017, even though interest rates remain favorable. “We do not need big loans,” Mr. al-Jadaan said. “Our budgetary deficit will amount to about €44 billion [ in 2017]. To cover this, we can tap the domestic and international capital markets and take money from our state reserves.”

By 2020, the kingdom aims to balance its budget entirely by introducing new taxes and cutting subsidies. Riyadh plans to implement new excise taxes on cigarettes and sugar in the second quarter, followed by a 5-percent VAT in 2018. Moving forward, only the poor will receive subsidies for water and fuel. The well-off will have to pay the full market price.

Mr. al-Jadaan said Riyadh also aims to slash waste in infrastructure spending by investing in more modest projects that still fulfill the country’s needs. “Instead of gold-plated Rolls Royce cars, we need the specification of a Toyota car, so we build one,” Mr. al-Jadaan said. “And that goes with office buildings, schools, hospitals. A lot can be saved without affecting the core of the investments.”

The wave of privatizations could help finance some domestic projects. A good chunk of the money raised through those sales will flow into Saudi Arabia’s public investment fund, or PIF. Riyadh wants to make PIF the largest sovereign wealth fund in the world.

“It is planned that we will invest about half of the money into the country and the other half abroad,” Mr. al-Jadaan said. “However, the main objective of the PIF will be profit-oriented and will not include development investments unless commercially viable.”

The finance minister said Germany can play a major role in Saudi Arabia’s “massive reconstruction.” Germany, he said, is an important partner in the fields of new technology, mechanical engineering, medical engineering and health care, energy and particularly vocational education.

“The German middle class is a model for us,” Mr. al-Jadaan said. “German banks should also come to Saudi Arabia. The bigger our economy, the more and the better banks we need.”

Another Successful Year for Dubai Sovereign Fund
26 April 2017

Dubai Holding (DH), the investment arm for the Government of Dubai in power, commodities, mining and industrial sectors, held its third annual general meeting at the Dubai Ruler’s Court. DH recorded a net profit of AED1.04 billion during 2016, an increase of around 10 per cent over 2015 net profit, and had AED 18.6 billion of net assets at the year end, stated H.H. Sheikh Hamdan bin
Rashid Al Maktoum, Deputy Ruler of Dubai and UAE Minister of Finance and the Chairman of the Dubai Holding, during the meeting that he presided over.

H.H. Sheikh Hamdan bin Rashid was presented with an update on the latest developments in the integration of mining, refining and smelting at Emirates Global Aluminium, EGA, the aluminium conglomerate equally owned by DH and MDC Industry Holding Company LLC, MDCI. The update covered the impressive financial results achieved in 2016, and the progress achieved by its alumina refinery investment at Al Taweelah, the development of the bauxite mining in the Republic of Guinea in West Africa, and other projects.

Saeed Mohammed Al Tayer, Vice Chairman of Dubal, said that these levels of profits support our wise leadership’s directives to establish Dubai as a leading global model for business, finance and trade. This was achieved predominantly due to the excellent results realised by EGA, its key subsidiary during 2016. Al Tayer stressed on the importance of diversifying the economy through prudent investment in the selected business segments identified through market intelligence.

Al Tayer went on to add that DH has always played a key role in supporting and diversifying the national economy and contributing to a bright future in the UAE and the Emirate of Dubai through extremely prudent and highly disciplined investments in the identified business segments that would guarantee decent and satisfactory level of return on investment for its shareholder and business partners. “This is in line with DH’s core focus, which is to be at the forefront of Dubai’s investments in energy, mining, refining, commodities and other industrial projects,” added Al Tayer.

The core message of the meeting was delivered by Abdulnasser bin Kalban, the CEO of DH. Bin Kalban added that DH is currently evaluating investment opportunities in the commodities and mining field mainly in gold, copper, zinc, bauxite and potash in the USA, Canada, Australia and other established mining jurisdictions such as Chile.

Further, a few investment opportunities in the aluminium downstream are also being evaluated currently to boost domestic consumption of EGA aluminium that would result in value addition, creation of more jobs locally and support the promotion of aluminium cluster in the UAE.

Bin Kalban touched upon the satisfactory progress made on the Emiroll company Project, the aluminium rolling mill plant that will produce aluminium coils and which is under development at the Khalifa Industrial Zone, Kizad, in Abu Dhabi along with its partners, as reported during the last year AGM.

Sovereign wealth funds from Abu Dhabi, Singapore join list of PPD investors

27 April 2017

As Wilmington-based Pharmaceutical Product Development (PPD) announces its plans to recapitalize, bringing in new investors, Research Triangle Park remains key to its success moving forward, according to the contract research organization.

In a transaction that values PPD at about $9 billion, the CRO announced that existing private equity firm owners Hellman & Friedman and The Carlyle Group have agreed to recapitalize PPD and bring in new investors – the Abu Dhabi Investment Authority (ADIA) and Singapore’s sovereign wealth fund GIC.

Rumors of a possible sale have continued to swirl around PPD recently, with LabCorp one rumored buyer, according to a report from Reuters earlier this year. At the end of last month, Reuters then reported that Hellman & Friedman and The Carlyle Group were considering selling minority stakes in PPD to ADIA and GIC, citing people familiar with the matter. PPD’s announcement indeed confirmed that ADIA and GIC will take minority stakes in the CRO.
"Under the agreements, Hellman & Friedman will assume majority ownership and Carlyle will retain a substantial minority position in PPD, both investing substantial equity from new funds," PPD stated in its announcement, adding that the company also expects to raise about $550 million through new senior unsecured notes. "The proceeds from the investments of Hellman & Friedman, Carlyle, ADIA and GIC and the issuance of the new notes will be used to finance the recapitalization," PPD stated.


Qatari Royals Said to Mull Sale of Luxembourg Private Bank BIL

27 April 2017

The Qatari owners of Banque Internationale a Luxembourg SA are considering a sale of their controlling stake in the private bank, which could fetch about $1.5 billion, according to people familiar with the matter.

Precision Capital, the investment vehicle of Qatar royal family members including former Qatari Prime Minister Sheikh Hamad bin Jassim bin Jabr Al Thani, is weighing a sale of the bank, the people said, asking not to be identified as the information is private. BIL could interest large private banks in Europe seeking to expand their business, the people said.

Precision is not running a formal sale process and is holding preliminary discussions with potential buyers, the people said. No final agreements have been reached and the owners may decide against a sale, the people said.

Representatives for Precision Capital, BIL and the Luxembourg Finance Ministry declined to comment.

The royals bought into the European private banking scene in 2012, acquiring a 90 percent stake in BIL from Dexia SA as part of a bailout of the Franco-Belgian bank. The Luxembourg government bought the remaining 10 percent. Precision Capital also bought another private bank in the country that year, KBL European Private Bankers SA for 1.05 billion euros ($1.14 billion).

BIL, founded in 1856, is the oldest private bank in Luxembourg. The bank had 35.5 billion euros of assets under management at the end of 2015, according to its website. Its net income for the first half of 2016 dropped to 45 million euros from 108 million euros for the same period in the previous year in a "challenging market environment," according to the bank's latest financial report.

Qatar has been an active investor in European banks, with the country's sovereign wealth fund holding stakes in lenders including Barclays Plc and Credit Suisse Group AG.


The long-term sting in passive investing's great success

28 April 2017

It's a tough week for active fund management when even the sovereign wealth fund of Qatar, best known for a willingness to throw money at trophy assets such as London boutique Harrods, has decided to move money into exchange traded and index funds. The shift reflects a more "prudent" strategy, people familiar with the change told the Financial Times. They might equally have said every week is a bad one for active management, and the Qatar Investment Authority is simply bowing to the inevitable. Strategists at Bernstein Research predicted that half the assets under management in US stocks will be in such passive funds by January next year.

In the past decade there has not been a single quarter-year period when US stockpicking funds have received significant inflows of investor cash, according to Bernstein: $1.3tn flowed out and passive funds took in $1.6tn. The question then, is not if the trend will change, but what effect it will have on the behaviour of the stock market itself.
Often this is framed in the industry’s own terms: will stock pickers finally overcome the handicap of their fees, once a tipping point of low-cost blanket investment is reached? To do so is to miss a deeper issue, however. Cheap access to the stock market as a whole may have changed the fundamental logic of investing in it. As the pseudonymous blogger Jesse Livermore argued this month, if a market comes to work more effectively and efficiently, we should expect the costs for those using it to come down. The fall in costs for investors has been celebrated, but less so for its other users, the companies that sell shares.

Consider how, over time, stock markets have produce consistent long-term investment profits, with the turmoil of market crashes providing chances to scoop up bargains. Index funds are a very cheap way to get the benefit of both effects. Hold, say, stock and bond funds, then rebalance between them at regular intervals to automatically sell high (when stocks prices go up faster than those for bonds) and buy low (when the stock market tanks). Long-term performance also fits with how the hierarchy of risks tends to be understood. US government bonds are the safest proposition, followed by the debt of companies, while shares are much more risky, as the issuer can go bust, abandon paying dividends, or flood the market with new shares.

As more risk should equal more profit, or excess return when compared with safe government bonds, those big profits for stocks have become the basis on which the retirement systems of developed nations rest.

What happens though, when stock market investing becomes much safer and cheaper, thanks to widely available index funds? In practical terms this means the valuation for any individual company can be higher than in the past, because the risk of investing in such companies can easily be spread. Half a century ago it would take big upfront and ongoing fees to have someone pick a basket of stocks. Today, an investment in the 500 largest US companies can be arranged for mere basis points.

If all individual stocks can bear higher valuations, then so will the market, a shift that looks great at the time because prices are going up. The problem comes in the future. If the risks of investing in the market have come down, then the excess return from stocks should fall as well. Companies will face a lower cost of capital, as each share of equity sells for more money.

Of course, there hasn’t been a rush of companies to sell stock, with the number of listed companies tending to decline. The cost of debt has also fallen significantly for many years, which may have masked the effect. For now, the rise of passive investment provides at least one argument to support high stock market valuations, by historic standards. A crash is less likely, perhaps, but the flip side is to diminish the compounding effect of reinvested dividends and share buybacks, which buy fewer shares. The logic of cheap investing may be to make investments expensive.

https://www.ft.com/content/cf8f4aa6-2b4b-11e7-9ec8-168383da43b7

New Mubadala, IPIC merged company begins operations

1 May 2017

Mubadala Investment Company, established after the merger of Mubadala Development Company and International Petroleum Investment Company, began operations. The new entity is expected to accelerate Abu Dhabi’s economic diversification as it is active in 13 business sectors in more than 30 countries globally, state news agency WAM reported.

The new firm’s total assets of about $125 billion, based on valuations at the end of 2015, will make it the world’s 14th largest sovereign fund, according to data from the Sovereign Wealth Fund Institute.

The company has four investment platforms - petroleum and petrochemicals, alternative investments and infrastructure, technology, manufacturing and mining, and aerospace,
information and communications technology, renewable energy and the management of diverse financial holdings.

WAM added that the work includes the development of global industrial champions in sectors such as aerospace, ICT, semi-conductors, metals & mining and renewable energy, and the management of diverse financial holdings.

Khaldoon Khalifa Al Mubarak, Group CEO and managing director of Mubadala Investment Company, addressed employees at an internal event on Monday to mark the first day of operations.


Three groups had put in non-binding bids for Endeavour in February, but one of them, led by Queensland Investment Corp (QIC), later pulled out, the sources said.

Macquarie has teamed with Canada's British Columbia Investment Management, Australia's AMP Capital and Qatar Investment Authority. The other group is comprised of the same consortium that paid A$10.3 billion for a controlling stake in electricity grid Transgrid in November 2015. It includes Hastings Funds Management, Spark Infrastructure Group, Canada's Caisse de depot et placement du Quebec and sovereign wealth funds from Abu Dhabi and Kuwait.

Endeavour is expected to fetch 1.4-1.5 times its total regulated asset base of $A6.2 billion, based on other recent transactions in the sector, RBC Capital Markets analysts said on May 1. Only a 50.4 percent stake is for sale. Hastings and Macquarie declined to comment while QIC did not respond to a request for comment.


Barclays Sees Wealth Funds, Bank Mergers Driving Mideast Deals

Barclays Plc sees bank mergers and sovereign wealth funds’ technology investments driving Middle East dealmaking this year as the region adapts to low oil prices.

"The type of deals sovereign wealth funds are looking for has changed over the years but they continue to be active," Makram Azar, chairman for the bank in the Middle East and North Africa, said in an interview in London. Funds are looking at opportunities in new areas such as technology, as well as traditional sectors such as real estate and infrastructure where they can get good yields, he said.
Sovereign wealth funds in Gulf Arab states are seeking new sources of income to lessen their reliance on volatile oil markets. Since last year, Saudi Arabia’s Public Investment Fund has funneled about $50 billion of the kingdom’s reserves into investments abroad, almost all of it into technology. It is said to be committing as much as $45 billion to partner with SoftBank Group Corp. to set up a new $100 billion vehicle to invest in global technology. The fund also invested $3.5 billion in Uber Technologies Inc. last June.

Elsewhere, Abu Dhabi’s Mubadala Investment Co. is considering investing $10 billion to $15 billion in SoftBank’s fund, people familiar with the plan said in January. Qatar Investment Authority plans to open an office in Silicon Valley to diversify its interests away from oil and gas, and the fund is still studying plans to invest in Softbank’s fund, Chief Executive Officer Sheikh Abdullah Bin Mohammed Bin Saud Al Thani said in March.

While Azar said political uncertainty is the only factor deterring investors globally, an exception is Britain, where the Brexit-driven slump in the pound has made assets cheap enough to stir interest among Middle Eastern buyers. “With the currency where it is and the global reach of companies here, we are seeing a renewed interest in the U.K. from investors,” Azar said. “That is coming from global corporates, sovereign wealth funds and financial investors alike.”


Wealth Fund, Spending and IPO: Key Remarks by Prince Mohammed

2 May 2017

Saudi Arabia’s Deputy Crown Prince Mohammed Bin Salman appeared in a rare television interview aired on Tuesday night, one year after he launched his so-called Vision 2030 program to overhaul the kingdom’s government and economy. During the hour-long interview, Prince Mohammed discussed the economy, the kingdom’s sovereign wealth fund and the planned initial public offering of state oil giant Saudi Arabian Oil Co., known as Aramco. Here are the main points from the interview, conducted by Saudi journalist Dawood Al-Sharyan and broadcast on MBC and the Saudi state television:

No Reserves in IPO

Saudi Arabia will continue to own its oil reserves and will only sell shares in the concession of Aramco. The size of the IPO, planned for 2018, will depend on demand, but it won’t be “very far from” the planned size of up to 5 percent.

Domestic Investment Binge

The Public Investment Fund, which Prince Mohammed wants to turn into the world’s largest sovereign wealth fund, will invest between 50 to 70 percent of the proceeds of the Aramco IPO domestically. The fund plans to invest 500 billion riyals in the kingdom within 3 years of the Aramco IPO, he said.

Top sectors the fund will target inside the kingdom include mining, entertainment and defense; the kingdom will make local content mandatory in all arms deals.

Saudi Arabia spends between $50 to $70 billion annually on defense “and 99 percent of that is outside the kingdom,” he said.

Impact on Economy

The economic reforms the country has undertaken recently have slowed growth, but Saudi Arabia avoided a recession. Non-oil revenue increased more than expected in the first quarter. “Any reform process will of course have side effects,” the prince said.

The debt-to-GDP ratio won’t rise higher than 30 percent, a level which “isn’t a problem” but will allow the state to continue spending on development through borrowing, he said. Gross debt-to-GDP ratio was 12.4 percent in 2016, according to IMF data. A planned 200 billion riyal stimulus package “will greatly encourage the private sector.”


Lagardere’s top investor Qatar wins voting rights loyalty reward

3 May 2017
Qatar has become media group Lagardere’s top shareholder in terms of both share capital and voting rights as a result of a French law that favours long-term investors. Qatar Holding, part of the emirate’s sovereign wealth fund, said on Wednesday that its Lagardere voting rights had risen to 16.7 percent, based on a share stake of about 13 percent.

The Gulf state previously held close to 10 percent of the voting rights, while Lagardere’s chief executive Arnaud Lagadère held 7.65 percent of its capital and 11.9 percent of voting rights at end of last year, a 2016 registration document showed. Qatar, which first invested in Lagardere in 2006, has been a staunch supporter of Arnaud Lagadère whose strategy for the company founded by his father has faced criticism from some shareholders.

"The Lagardere group welcomes the trust placed in it by Qatar Holding LLC, known for being a demanding and long-term shareholder," a spokesman for Lagardere said in an email. France’s 2014 “Florange” law, named after a closed steel plant, gives double voting rights to investors who register shares in their name and hold them for at least two years.

Qatar said in its filing to French markets watchdog AMF that it could increase its stake further, but it had no plans to gain control of the company. It also said it was considering seeking representation on Lagardere’s supervisory board and was eyeing strategic partnerships, reiterating options already laid out in previous filings.

Lagardere, which will hold its annual shareholders’ meeting on Thursday, has a limited partnership structure that gives the founding family near-absolute control and responsibility, even with a minority stake.

http://www.reuters.com/article/lagardere-qatar-idUSL8N1I55NJ

Bahrain Mumtalakat buys into top German aviation group
6 May 2017

Bahrain Mumtalakat Holding Company (Mumtalakat), the kingdom’s sovereign wealth fund, has acquired a significant minority stake in Axtmann Aviation Holding that operates FAI Aviation Group (FAI), a leading global provider of mission-critical aviation services based in Germany.

FAI offers fixed-wing air ambulance, special missions, charter and aircraft management, as well as full MRO (maintenance, repair and overhaul) services. Founded in 1986, FAI operates from its base in Albrecht Dürer International airport in Nuremberg, Germany. With over 30 years of experience in business aviation, it is one of the largest general aviation operators in Europe.

Commenting on the strategic investment, Mahmood H. Alkooheji, the chief executive of Mumtalakat, said: "It has perhaps never been as important as it is today to support rapid aviation response to crisis situations. Over the last 30 years, FAI has significantly grown its capabilities and service offerings, establishing stable and lasting relationships across a diverse set of customers, helping critical aid services reach people across the world."

This investment is aligned with Mumtalakat’s objective to invest in companies with strong track records of growth and experienced management teams. With a mandate to grow the wealth of Bahrain through long-term investments based on sound financial, strategic and governance principles, Mumtalakat holds stakes in over 40 commercial enterprises with a portfolio spanning a variety of sectors, including industrial manufacturing, financial services, telecommunications, real estate, logistics, consumer products and education.

Jefferies International Limited acted as sell-side advisor on the transaction. However, it is still subject to the approval by Cypriot and German Merger Control Authorities.

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ABOUT THE CHIEF EDITOR

Dr. Cyril Widdershoven is director and founder of Verocy. He is a long-time observer of the global energy market and presently holds several advisory positions with international think tanks in the Middle East and energy sectors in the Netherlands, the United Kingdom, and the United States. He earned his post graduate degrees at King’s College, University of London, Department of War Studies, and an MA in Middle East Studies at the University of Nijmegen, Netherlands.

Main focus of his work has been on geopolitical risks, terrorism, fundamentalism and military/defense related issues in the MENA region. He held several senior publishing positions in leading energy publications such as Afriol, Middle East Oil and Gas, and North Africa Oil and Gas Magazine Cairo, and he continues to oversee the Mediterranean Energy Political Risk Consultancy.

Dr. Widdershoven worked on M&A operations in Egypt, Libya, Sudan, and Iran, he studied the pipeline operations in Libya, Algeria, Nigeria and Turkey, and he assessed risk for institutional investors and banks in Libya, Egypt, Saudi Arabia, Oman and Iraq, all while advising the Dutch government and international organizations on related issues. In earlier career assignments, he held positions at Capgemini Consulting (Principal Consultant Centre of Excellence Oil and Gas International (Calgary, Canada), Deloitte Financial Advisory Services (Senior Manager, Oil & Gas), and as Senior Financial Analyst Oil & Gas Sector FDA, where he managed and advised the oil and gas department on equity and bond markets.

Dr. Widdershoven has throughout his career lived and worked in numerous Middle East countries, with a home base in Egypt, where he was Head of Investment and Research at ARTOC Group for Investment and Development in Cairo. He is also has founded North Africa’s first English language oil and gas monthly North Africa Oil and Gas Magazine, now called Petroleum Africa, and was one of the founders of the Middle East Oil Gas Newsletter and Africa Oil Newsletter at Newsbase (UK).

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